

## Networks in Microfinance

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Strong regional and country-level networks will enable microfinance practitioners to exchange experience, build common performance standards, and influence government policy to facilitate the growth of microfinance institutions. These measures are essential if microfinance is to fulfill its potential in alleviating poverty and building broad-based economic development (*WWB UNDP Workshop in Addis Ababa, March 1998*).

Microfinance networks can be instrumental in accessing, sharing and dissemination of information (Annex-2) among practitioners, policy makers, academics, researchers and donor.

Microfinance networks can be grouped into several thematic categories such as below:

- Practitioner's networks
- Support networks
- Research and development related networks
- Information networks

Some of these networks are limited to national, sub-regional, regional and international level.

### **1. Practitioners Networks**

Following are some of the international microfinance networks involved in the promotion of microfinance industry.

#### **1.1 Credit and Saving for the hardcore poor**

Credit and Saving for the hardcore poor (CASHPOR) is a network of 22 Grameen Bank replications working to reduce poverty in the Asia-Pacific region through providing financial services to poor women. This network was established in 1991 out of the felt need of replications for an organization to strengthen their capacity to expand, through management training, quarterly monitoring, technical assistance and information exchange. This network is based at Seremban, Malaysia.

## 1.2. Grameen Global Network

It is a global network of Grameen Bank replicators

## 1.3 IRED

Development Innovations and Networks is a global network whose major thrust is to promote economic empowerment of the marginalized communities. This is done through initiation of community/people's banks and small, micro and medium enterprises. IRED also promotes networking with other organizations, seeks external markets for products made to processed by its partners, as well as off-shore funds to finance expansion of community banks to avail credit to those excluded from traditional financing systems. This network is based at Geneva, Switzerland.

## 1.4 Microfinance network

The Microfinance Network is a global association of leading microfinance practitioners. Network members are committed to improving the lives of low-income people through the provision of credit savings and other financial services. The Network believes that this sector should be served by sustainable and profitable microfinance institutions. The Microfinance Network is a vehicle for accomplished institutions to provide each other with technical assistance and to learn from each other with technical assistance and to learn from each other's experiences. This network office is located at Washington, USA.

## 1.5 SEEP network

The Small Enterprise Education and Promotion Network is an association of 40 North American private development organizations working with local NGOs in enterprise development programs in the south. The Network provides a forum for members to engage in joint research and training, and for the development and dissemination of practitioner-oriented publications. The Network is engaged in projects related to institutional development, microfinance, business development services, poverty lending, and evaluation. SEEP network office is located in New York.

## 1.6 INGO Networks

INGOs such as Opportunity international, PLAN International, Save the Children, and Freedom from Hunger have created their own microfinance networks.

## 1.7 World Council of Credit Unions

World Council of Credit Unions (WOCCU) is a global confederation of Credit unions formed is the international membership organization of credit unions. The world council assists its members to establish and strengthen credit unions throughout the world by means of technical and financial support, communication exchange, as well as member and external relations (Hettiarachchi, 1998). NEFSCUN is connected to the WOCCU through its membership to Association of Asian Confederation of Credit Unions (ACCU).

There are other regional networks such as SANMFI (now inactive) and INAFI.

The list of worldwide network of microfinance institutions is annexed (annex-2).

## **2. Support institutions network**

Following are some of the institutions providing support for the promotion of the microfinance industry:

### **2.1 Consultative Group to Assist the Poorest (World Bank)**

CGAP is a consortium of 29 bilateral and multilateral donor agencies supporting microfinance. It serves MFIs, donors and the microfinance industry through the development of technical tools and services, the delivery of training, strategic advice and technical assistance, and action research on innovations. Microfinance Gateway maintained by CGAP is a source of documents, issues, links, events, and job opportunities relating to the microfinance industry.

### **2.2 Accion International**

ACCION International provides financial and technical service to a network of microfinance institutions covering over 2 million people in Latin America, Africa and the United States.

### **2.3 Bellanet**

Bellanet is a consortium of donor institutions based at the International Development Research Centre (IDRC) in Ottawa, Canada. It supports organizations on the use of information and communication technologies (ICTs).

### **2.4 CALMEADOW**

CALMEADOW was founded in Canada in 1983. Besides providing selected investments in microfinance institutions and funds, it also conducts research and carries out advocacy work to advance the microfinance industry. It also provides international advisory works.

## 2.5 PlaNet Finance

PlaNet Finance is an INGO and aims to develop and professionalize the microfinance sector by promoting Internet and new technology. Initially funded by donations and contributions by banks and private sponsors, their funding base has expanded to include high-tech companies, public and international institutions, as well as the general public.

## 2.6 United Nations Capital Development Fund

UNCDF was initially founded to fund small-scale enterprises in the developing world. The fund is generated from voluntary contributions made by member states, as well as co-financing by governments, international organizations and the private sector.

## 3. Microfinance Networks in Nepal

Three microfinance related networks exist in Nepal:

- Grameen Network Nepal
- Microfinance Association of Nepal (MIFAN)
- Nepalese Federation of Saving & Credit Union (NEFSCUN)

### 3.1 Grameen Network Nepal (GNN)

GNN was established in April 1996 with 5 government Grameen Bank, NUBL, CSD, Women Cooperative Society and NERUDO Nepal as members. It was primarily formed for the effective mobilization of funds and capacity building of member organizations. Although not very active, member organizations still report to the GNN secretariat at the WCS.

### 3.2 Microfinance Association of Nepal (MIFAN)

MIFAN was formed in 1998/99 as a member based network of all the MFIs and Cooperatives. Initially there were 78 members. A member organization had to pay Rs 1,000 as annual fee. This initiative was supported by CECI for few years. The office of this network was maintained at DEPROSC's central office with Mr. Pitamber Acharya as Chairperson. Although not functionally active, MIFAN's license is renewed each year.

### 3.3 Nepalese Federation of Saving & Credit Union (NEFSCUN)

NEFSCUN is the federation of 414 saving & credit cooperatives (SACOS) and was registered in the year 1993. The organization is yet to cover all the SACOS into its umbrella. CECI had supported it in its initial years. CCA, a Canada based organization is still supporting this organization.

A SACOS can join NEFSCUN by buying a share worth Rs 1000, saving Rs 1,200 a year and paying 5 Rs per member as fee.

NEFSCUN provides capacity building and loan fund support to member SACOS. It has also created an Inter-lending Fund generated from the contribution of over 150 member SACOS. A SACOS interested to benefit from this fund has to contribute Rs 10,000 initially. The fund has grown up to Rs 6 million approximately.

NEFSCUN joined the Asian Federation of Credit Union (ACCU) in 1998.

### 3.4 Why Networking did not function well ?

Following reasons may have contributed for the less than desired outcome of the microfinance networks:

- Networks did not had a plan for sustainability
- A marriage without required level of preparation. Enough groundwork (preparatory work) was not done before forming the network.
- As the networks were a representative bodies, the executive committees comprised persons from all organizations without consideration of their size. Since they were from different locations of the country, they had difficulty in attending regular Network meetings.
- Network organization's priority remained in increasing outreach and attaining operational sufficiency which caused their less attention towards the very scope of a network-capacity building and fund mobilization etc.
- Largely donor driven-CECI promoted MIFAN initially. Later when CMF was created, less attention was given to it.
- High liquidity in the market for loan fund resulted into less value for a network for advocating for loan funds.
- The global pro-microfinance climate resulted into the growth of the microfinance sector without having a felt need for a workable network.
- Member organizations did not maintain their commitment for financial resource contribution.

### 3.5 Available options

There are only two options:

- Build on what has been accomplished
- Form a new network to suit the current need

The revival of the existing networks may have less relevance as new issues have emerged in the microfinance industry.

### 3.6 Why Network is a need now?

Although microfinance is a relatively new intervention in Nepal after 1990, it is increasingly moving toward maturity. However, new issues are also emerging in this industry, which can be only addressed through combined and collaborative effort of concerned stakeholders.

- Common microfinance standards have to be prepared and enforced for self-regulation and ensure program quality
- Traditional products and services may not serve clients in the changing scenario. There is a greater need to design, test and develop products and services to better serve the clients.
- In addition to operational and financial self-sufficiency, impact evaluation is a concern for MFIs having poverty reduction as the main mission.
- Networks are essential to develop a functioning Credit Information System among practitioners.
- As MFIs are maturing, there have been a lot of concerns on the continuous spirit of the frontline staffs. As the program largely rests on their “Activism”, a network is a better place to think, design and test schemes to satisfy them.
- Outreach deepening has been a concern in the industry. However, there is hardly any defined road-map for it.
- As the industry is constantly evolving, it demands conducive environment not strict regulatory measures for the innovation and healthy growth.
- There is not a single entity in Nepal which acts as a pressure group to invest on microfinance which otherwise is required to invest in the so-called “safety nets”.
- As microfinance clients are “leveling off” or at stagnation, there is a need to invest in creating economic opportunities for them to absorb more loan. Government can be persuaded in a better way through a unified and organized networks.
- Although there remains a lot of liquidity in the market at present, loan capital may be a problem in post-conflict situation.

### 3.7 Steps for a Network

- Preparation and circulation of a Network concept paper.
- Receive feedback and finalize the paper

- Organize workshop to analyze previous network experience and elect an adhoc/transitional network authority.
- Preparation of a framework for setting-up of a network (VMG, objectives, scope, activities, timeline) with the involvement of all stakeholder
- SWOT of the proposed network in a workshop, finalize the framework
- Prepare bylaws, work procedures and systems
- Prepare a business plan outlining how the Network will be operationally self-sustained over a period of time
- Organize a workshop to elect the Network Steering Committee
- Hire a Network Coordinator and set-up an office
- Prepare annual, quarterly and monthly activities timeline
- Start implementation
- Link the network with sub-regional, regional and international networks including theme-based networks.

It may take more than a year in undertake the above steps.

## References

[Http://www.bellanet.org/partners/mfn/links.html](http://www.bellanet.org/partners/mfn/links.html).

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NEFSCUN, 1997. The Saving & Credit Movement in Nepal, An overview of NEFSCUN, NEFSCUN, Kathmandu

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## Annex-1: What can we achieve through microfinance networks?

- Advocacy
- Awareness building
- Capacity development
- Common training
- Consultancy
- Develop model frameworks and discuss methodologies
- Education and sensitization
- Exchange mutual advice
- Financing sources
- Find expertise
- Impact analysis
- Info on microfinance projects
- Info on publications
- Innovation
- Institutional development
- Inter-client nets
- Internet resources
- Knowledge creation
- Learning-by-doing
- Legal/regulatory frameworks
- Monitoring + evaluation
- Mutual support
- News & events info
- Performance measures
- Policy development
- Programme/project support
- Research
- Synthesis for media
- Training courses
- Training of trainer

## Annex-2 Microfinance networks

### General

- AFMIN: Africa Microfinance Network
- AFRACA: African Rural and Agricultural Credit Association
- APRACA: Asia Pacific Rural and Agricultural Credit Association
- BWTP: Banking With The Poor Network
- CDF: Credit and Development Forum
- ESF: Epargne Sans Frontiere
- INAISE: International Association of Investors in the Social Economy
- The MicroFinance Network
- The SEEP Network
- Women's World Banking
- AMFIU: Association of Micro enterprise Finance Institutions of Uganda
- CEEC: The Microfinance Centre for Central and Eastern Europe and the New Independent States
- INAFI: International Network of Alternative Financial Institutions
- India: India Collective for Microfinance
- Nepal: Centre for Micro-Finance
- Pakistan: Women in Credit Information and Resource Centre
- Pakistan: The Microfinance Group
- Philippines: Philippine Coalition for Microfinance Standards
- South Asian Network of Microfinance Initiatives
- ACCION International
- Calmeadow
- CASHPOR: Network for Credit and Savings for the Hardcore Poor in Asia-Pacific
- FDC: Foundation for Development Cooperation

- FINCA: Foundation for International Community Assistance
- FOLADE: The Latin American Development Fund
- The Katalysis Partnership
- MicroSave Africa
- Opportunity International - [ USA ][ UK ]
- Trickle Up Program
- Short descriptions of microfinance networks, or institutions with networks (from the Microcredit Summit)

#### Multilateral Microfinance Programmes

- AFDB: Microfinance Initiative for Africa (AMINA)
- FAO: Rural Finance
- IFAD: Office of Evaluation and Studies
- ILO: Microfinance for poverty alleviation, employment and social integration
- UNDP/UNCDF: Special Unit for Microfinance
- UNESCO: The Coordinating Unit for Microfinance Activities
- UNV: United Nations Volunteers in Microcredit
- World Bank: The Consultative Group to Assist the Poorest (CGAP)
- World Bank: Sustainable Banking with the Poor (SBP)

#### Networks providing Information & Resources

- Development Finance Network Discussion List
- Directory of Development Organizations
- ENTERWeb
- International Development Network (IDN)
- Journal of Microfinance
- Microfinance Information Exchange (The Mix)
- PACT Publications
- Small Enterprise Development
- Virtual Library on Microcredit

#### Networks that provide Investment Funds

- ACCION Gateway Fund
- AfriCap Microfinance Fund
- Blue Orchard Finance

- Calvert Social Fund
- Corporación Andina de Fomento (CAF)
- Deutsche Bank Microcredit Development Fund
- DEVCAP Shared Returns Fund
- Dexia Microcredit Fund
- Inter-American Development Bank Multilateral Investment Fund
- Latin American Challenge Investment Fund (LAC-IF)
- PlaNet Finance PlaNet Fund
- Profund International

Networks that provide Training Programs

- Private Enterprise Development (FIPED)
- Naropa University Microfinance Training Program (Boulder, Colorado)
- Springfield Centre for Business in Development