



Eighth Commonwealth Women's Affairs Ministers Meeting

Kampala, Uganda, 11-14 June 2007

WAMM(07)11

Microfinance and Innovative Financing for Gender Equality: Approaches, Challenges and Strategies

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May 2007

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Acronyms and Abbreviations

ATM	Auto teller machine
BASEL	Basel Committee
BLCF	Business Linkages Challenge Fund
CARE	Cooperative for Assistance and Relief Everywhere, Inc.
CBA	Commercial Bank of Africa
CEE	Central and Eastern Europe
CETZAM	Christian Enterprise Trust of Zambia
CF	Challenge Fund
CGAP	Consultative Group to Assist the Poor
CRIG	Community rural insurance group
CSCF	Civil Society Challenge Fund
DFCU	Development Finance Company of Uganda
DFID	Department for International Development, UK
ECA	Eastern and Central Africa
FDCF	Financial Deepening Challenge Fund
FINCA	Foundation for International Community Assistance
FLDG	First loss default guarantee
FMB	First Merchant Bank Limited
GLICO	Gemini Life Insurance Company
HACCP	Hazard analysis and critical control points
HIVOS	Humanistisch Instituut Voor Ontwikkelingssamenwerking (Humanist Institute for Cooperation with Developing Countries)
HRD	Human resource development
IASC	International Accounting Standards Committee
ICICI	Industrial Credit and Investment Corporation of India
IRDA	Insurance Regulatory and Development Authority
LAC	Latin America and Caribbean
MDG	Millennium Development Goal
MENA	Middle East and North Africa
MFI	Microfinance institution
MIS	Management information systems
MUSCCO	Malawi Union of Savings and Credit Co-operatives Limited
NABARD	National Bank for Agriculture and Rural Development
NGO	Non-governmental organisation
NIS	Newly Independent States
OSS	Operational self sufficiency
PAR	Portfolio at risk
POS	Point of sale
PPP	Public-private partnership
PRA	Participatory rural appraisal
RoAs	Return on assets
SACCOS	Savings and Credit Cooperatives
SEWA	Self- Employed Women's Association
SHG	Self-help group
SME	Small and medium-sized enterprise
SPV	Special purpose vehicle
USAID	United States Agency for International Development
UTI	Unit Trust of India
WAM	Women Advancing Microfinance
WWF	Working Women's Forum

Executive Summary

The origins of microfinance: a tool for women's empowerment

Microfinance, which is widely recognised as a strategy to fight poverty, has long been considered as having its roots in the women's/ gender equality movements. While this is true for the evolution and development of microfinance in many countries, today it has more of finance and less of gender in its overall scheme of things. Yet, a significant proportion of the billion poor people worldwide who still lack access to financial services are women, and any attempt to tackle poverty and address the most important Millennium Development Goal (MDG) must focus on them.

The needs of women are unique, and they often face the dual burden of productive and reproductive roles – providing livelihood security for their families as well as physically looking after their households and bearing children. Hence, it is critical that microfinance address gender challenges as it moves forward in its journey of empowering the poor, especially women. As microfinance grows further, it also becomes very important to professionalise it so as to optimise on performance to achieve the objectives not only of sustainability and inclusive outreach but also of livelihood security and gender impact.

Microfinance: growth trends, scaling-up and performance

From the early 1970s, several organisations with their roots in women's and labour movements viewed enhancing access to credit as the key to the success of their work with women workers in the informal sector. Microfinance programmes targeting women thus became a major plank of donor poverty alleviation and gender strategies in the late 1980s/ early 1990s. With increasing evidence of the centrality of gender equality to poverty reduction, combined with the higher credit repayment rates achieved by women, a general consensus emerged on the desirability of targeting women. Not only 'reaching' but also 'empowering' women became the second official goal of the Microcredit Summit Campaign.

Microfinance programmes and microfinance institutions (MFIs) have enhanced outreach over the last few years and their largest client 'segment' is 'women'. Their growth in outreach is visible in terms not just of number of active borrowers but also gross loan portfolio and total assets. While performance in terms of outreach has indeed been spectacular, financial performance of microfinance programmes and institutions – using parameters such as operational sustainability, portfolio at risk and return on assets – has been equally phenomenal. Portfolio quality, financial returns and profitability also improved over the years 2001–2004.

Access to versus control of resources for women

While microfinance has done well in terms of extending access to financial services to low-income women, its focus has largely been in terms of delivery of credit. And within credit the focus, at least over the last few years, has largely tended to be on consumption loans and very small production loans. In reality, several critical financial needs have yet to be satisfied. Hence, the gender gap in terms of access to other financial services – formal/ flexible voluntary savings (the most basic insurance product); health, asset, accident and life insurance; and larger production and livelihood credit, to name a few – remains to be addressed for a large majority of women. And low-income women have a range of evolving

needs: they require continued access to the wide range of financial services mentioned here to counter the risks and vulnerability that they and their families face in their daily struggle for survival. Indeed, microfinance has a great business opportunity and social obligation in facilitating on-going delivery of these risk-mitigating financial services for low-income women on the required scale.

It is also very critical to look at what access to a basic credit/ savings product has done for low-income women. There are four discernible broad level impacts of microfinance:

- a) It has enabled women to have a collective bargaining mechanism at the local level;
- b) It has facilitated them to move beyond their households and build relationships with various stakeholders;
- c) It has given them a platform to combat various social oppressions; and
- d) More than the money received through microfinance, at a very basic level, the self-management that it has fostered in some models (like the village banks and/or self-help groups) is what has perhaps led to some empowerment of women.

While the key point that microfinance has brought women together and also empowered them (in a basic sense) is well taken, very little is known about what it has achieved in terms of closing the gender gap on aspects such as women's ownership of and control over assets, women holding custody of income, women gaining access to domestic and community economic/ other resources, women's productive versus reproductive roles and women's indebtedness.

The picture that emerges almost three decades after the advent of the tool we call microfinance today thus seems rosy on the surface, but it is perhaps not so rosy at a deeper level. Success stories are touted at every conference or seminar on microfinance, whether global or local, and incredibly attractive statistics are reeled off, but certain critical questions remain. One is with regard to the question of access to resources and finance and the other is with regard to control over these resources and finance – the latter being very critical for true empowerment of women as well as sustained poverty alleviation. This then leads to the question of what specific gender challenges exist for microfinance.

Gender challenges for microfinance

Without question, there are several gender challenges for microfinance that need to be addressed if microfinance is to truly empower women:

- Massification challenge: How to enable greater access to the vast majority of unreached women.
- Microfinance primarily targets women who have very little access to assets, and hence it may increase debts for women and perhaps be contributing to making their overall net-worth negative, at least at a basic level.
- Microfinance pushes the debt and poverty burden almost exclusively on women as it considers women more credit-worthy and less of a credit risk.
- Microfinance has traditionally supported women in group settings – self-help groups, joint liability groups, solidarity groups, etc – but has done very little to enhance women's access to larger individual loans required for establishing and running small and medium-sized enterprises (SMEs).
- Another issue is gender oppression. Most MFIs deliver financial services through field workers/ loan officers, who generally tend to be men. There are several issues that arise in a situation where male field officers deliver loans to female clients that require urgent

attention from a consumer protection and gender standpoint. Added to this is the fact that there are fewer women chief executive officers and heads of MFIs as well as women in senior management positions.

- Members belonging to marginalised groups – like Dalits, tribal and Muslim communities in India and migrant workers – as well as women-headed households are often unable to save or repay regularly, a precondition for most microfinance programmes. As a result there is perhaps an exclusion of the poorest.

Thus, ‘on many levels, the microfinance industry has embraced best practices in reaching women clients, but understanding of how best to provide services for women could be much deeper within many MFIs. As the industry grows, even basic knowledge about the nature of women’s businesses and the best ways to provide financial services to support them is sometimes ignored or lost in the face of new contexts and new pressures. It appears that not only are women good for microfinance, but also that microfinance could be even better for women with a little more focus on gender differences’ (Cheston, 2006).

As it moves forward on its journey to empower the poor, microfinance must be made to re-discover its original mandate of empowering women in particular. This is possible only if various stakeholders participate holistically and firmly resolve to quickly address the gender challenges mentioned here.

Private sector financing: an alternative route to serving low-income women

While microfinance is one route to delivering financial services to low-income women, a second channel that has opened up over the last few years is private sector financing, often catalysed by donor-based challenge fund mechanisms as well as sometimes by their own natural inclination to serve bottom of pyramid markets.

‘DFID’s Financial Deepening Challenge Fund (FDCF) demonstrated a strong value proposition for using the challenge fund in bringing financial services to rural areas and banking the un-banked. It also proved effective in catalysing financial deepening in countries with relatively weak enabling environments and where little previous work has been done. Basically, the FDCF provided incentives to the financial sector to try new ways of extending financial services to the poor. The grant funding provided helped to pilot projects with assured social impact but uncertain financial returns to test their commercial viability. Of the 29 projects funded, 9 achieved high social impact combined with high financial returns whilst the majority achieved a combination of reasonable social and financial returns. The £15m spent leveraged £72m in private sector finance’ (DFID, 2007).’

While it is very early days for many of these projects, they nonetheless promise to deliver a lot, at least in terms of being client-oriented and gender-sensitive. The initial feedback from the field also suggests that private sector financing could be a viable alternative option to reach out to low-income women in ways convenient to them, and this aspect is considered while making the recommendations.

Recommendations

There are five generic recommendations, keeping in view the various challenges.

1 Establish a Global/ Commonwealth Gender Innovation Challenge Fund

It is critical to establish a Global/ Commonwealth Gender Innovation Challenge Fund to help the microfinance industry and private sector innovate and develop models, methodologies, products, processes, procedures and performance measures for financial intermediation. This should be specially tailored to the needs of low-income women in several contexts. It is suggested that this fund be established with contributions from respective governments, multilateral and bilateral donors and other stakeholders. The Commonwealth Secretariat would be uniquely placed to be the global coordinator.

2 Create an enabling environment for supporting financing for gender equality

The second recommendation is primarily for governments and central bankers/ regulators and addresses the salient aspects pertaining to the creation of an enabling environment. These are:

- Ensuring a minimum number of women directors in MFIs and intermediaries;
- Establishing an integrated and comprehensive database on microfinance and gender;
- Sensitising central bankers and regulators on the special needs of low-income women and related technology;
- Encouraging standards for gender in regulatory reporting of performance.

3 Support Demonstration Pilots on Financing for Gender Equality

Governments and donors could initiate action pilots to test out new models, new methodologies and new products like micro-pensions, alternative savings products, technology-based delivery systems (including SMS banking and use of e-money – see the huge success of Vodafone with the poor in Africa), special products for women, flexible versus fixed repayment, individual lending models, cash flow-based financing, etc. These could be supported through the Global Challenge Fund as well as locally supported, in the country, by national governments and donors. Pilots could include:

- Special financial products for women;
- Delivery of risk management products tailored to the special needs of low-income women;
- Transactions cost reducing technology pilots;
- Encouraging public-private partnerships to overcome market imperfections;
- Enabling livelihood financing for women through larger loans/ individual lending.

4 Facilitate the global microfinance industry to adopt gender-sensitive practices

The fourth set of recommendation is for the global microfinance industry and these essentially pertain to specific focus areas in microfinance that require gender inputs and sensitisation, based on which systems and practices would have to adapted and changed. The key stakeholders here are industry associations, technical support bodies like the Consultative Group to Assist the Poor (CGAP), MFIs and other stakeholders like central banks and regulators in various countries. other things, this would entail aspects such as (but not limited to) the following:

- Establishing gender-sensitive governance mechanisms including greater and real representation for women as directors and senior managers in MFIs/ intermediaries;

- Instituting gender-sensitive management systems and processes at MFIs /intermediaries, including real transfer of authority along with responsibility;
- Facilitating more women to become a part of the microfinance human resource pool and providing special incentives to institutions that support this;
- Allocating the financial resources required for gender sensitisation of various stakeholders including MFIs, regulators, rating agencies and others;
- Designing, testing and rolling out special microfinance products and delivery mechanisms suited to the unique needs of women, particularly those that cater to reducing their risk and vulnerability;
- Evaluating microfinance programmes not just on the basis of financial parameters but also using social performance indicators that focus on women's empowerment and their access to and control over resources and making these as important as prudent financial management in evaluating, rating and supporting MFIs/microfinance programmes/intermediaries;
- Ensuring protection of women, who form the largest client segment for microfinance, by instituting appropriate 'client protection' and 'client literacy' measures through incorporation of these aspects in various laws that govern microfinance.

5 Undertake research to support financing for gender equality

The fifth and final recommendation is gender-oriented research with regard to impact and convenience of microfinance, with a focus on women's special needs and aspirations. Without this research, which needs to be conducted on an on-going objective and country-wide/ global basis, it would be very difficult to understand various aspects pertaining to the impact of microfinance on women's empowerment and the convenience of microfinance for women clients. There are three major components suggested here as a starter's research agenda, and this could be expanded later as per contextual needs: (1) objective civil society gender audits across Commonwealth countries to understand the real impact of microfinance; (2) examining the trade-off between financial sustainability of MFIs and their focus on gender; and (3) country-wide gender-oriented market research.

Conclusion

Microfinance has to undergo a necessary revolution of being gender-responsive – and this means that the nature of the products being offered and the institutions that deliver them will have to change fundamentally. The microfinance industry has to move beyond providing standard credit for small-scale enterprise and other basic financial services (some savings and insurance) and offer a wide range of tailor-made financial services (including flexible credit, savings, health insurance, pensions, remittances, etc.) that can really empower women and also enable them to reduce their risk and vulnerability. A new set of institutions (corporations, postal/commercial banks, insurance companies, pension funds, telecom companies, etc) are keen to enter this market and they need to be incentivised to deliver gender-responsive financial services to bottom of pyramid clients.

All of this calls for various stakeholders – including governments, bilateral and multilateral donors, MFIs, non-governmental organisations (NGOs), civil society and the private sector – to join hands to enable delivery of sound, responsive, affordable and market-oriented (gender-sensitive) financial services tailored to the special and unique needs of low-income women clients, in ways that are advantageous to both the women as well as the institutions. This alone will help the low-income financial services sector rediscover its original and laudable mission of truly empowering women.

1 Background

Microfinance, which is widely recognised as a strategy to fight poverty, has long been considered as having its roots in women's/ gender equality movements. While this is true for the evolution and development of microfinance in many countries, it is also time to recognise one basic fact: microfinance, as it exists today, has more of finance and less of gender in its overall scheme of things. That a significant proportion of the billion poor people worldwide who still lack access to financial services are women is no great surprise. Any attempt to tackle poverty and address the most important Millennium Development Goal (MDG) must therefore have a major focus on women.

As microfinance grows further, it becomes very important to professionalise it so as to optimise on performance to achieve the objectives not only of sustainability and inclusive outreach but also of livelihood security and gender impact. The needs of women are unique and they often face the dual burden of productive and reproductive roles – providing livelihood security for their families and physically looking after their household as well as bearing children. Microfinance must be made to re-discover its original mandate as it moves forward in its journey of empowering the poor, especially women.

Interestingly, the private (corporate) sector appears to have sensed a great opportunity in delivering financial services to so-called 'bottom of pyramid' clients. Some of them are already trying to pilot innovative financial services to cater to the special needs of low-income people (including women) in different contexts. Thus, while it is very early days for private sector financing, this nonetheless promises a lot because of this being client-oriented and gender-sensitive. The initial set of results available (to date) indicate that private sector financing could be a viable alternative mechanism to reach out to low-income women, in ways convenient to them and their special needs. Hence, some examples of innovative private sector financing projects are discussed in this paper along with possible ways of engaging with them. It is critical to understand this growing set of stakeholders, who are very keen to serve low-income women in a customer-friendly and sustainable manner and who, more importantly, can leverage a lot of resources towards achieving this.

Accordingly, the objectives of this paper are as follows:

- 1) To provide a brief overview of the recent developments in microfinance (Sections 2 and 3);
- 2) To isolate specific issues (access versus control of resources) that need greater understanding from a gender perspective in microfinance (Section 4);
- 3) To identify gender challenges of microfinance (Section 5);
- 4) To briefly outline some basic strategies to redress these challenges, including private sector financing, with global examples (Section 6); and
- 5) To offer pragmatic recommendations so that microfinance and private sector finance can be incentivised to really empower women (Section 7).

The annexes contain supplementary material in support of the main paper and the arguments made therein.

2 The Origins of Microfinance: A Tool for Women's Empowerment

From the early 1970s, women's movements in a number of countries became increasingly interested in the degree to which women were able to access poverty-focused credit

programmes and cooperatives. In India, several organisations,¹ with their roots in Indian women's and labour movements, viewed enhancing access to credit as the key to the success of their work with women workers in the informal sector. What we call today microfinance suddenly began to be seen as the magic wand that would eradicate poverty and overnight ensure economic empowerment of women through access to credit initially and later financial services.²

Microfinance programmes targeting women thus became a major plank of donor poverty alleviation and gender strategies in the late 1980s/ early 1990s. With increasing evidence of the centrality of gender equality to poverty reduction, combined with the higher credit repayment rates achieved by women, a general consensus emerged on the desirability of targeting women. Not only 'reaching' but also 'empowering' women became the second official goal of the Microcredit Summit Campaign.

Box 1: Attractive Characteristics of Early Microfinance Programmes/ Institutions

Several characteristics made the early microfinance programmes/ institutions an attractive alternative in serving poor women:

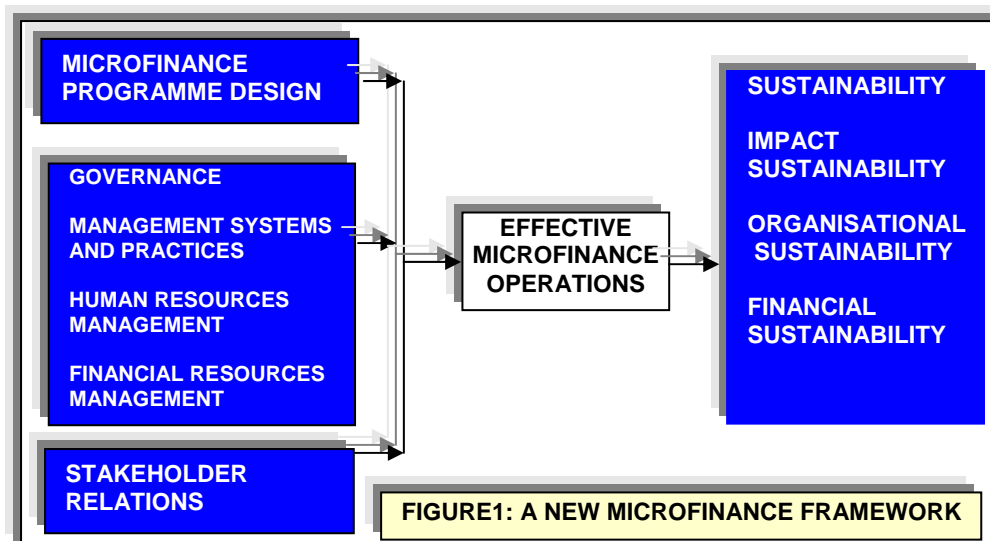
- They provided services to marginalised and vulnerable people – by and large, their typical clients were poor women who needed collective bargaining through group mechanisms, did not have a savings bank account, were illiterate with (at most) secondary education, mainly belonged to the most economically and socially backward communities and were generally daily wage earners, piece rate workers, etc.
- They were perceived to be less intimidating when compared to formal financial institutions and were also seen to be more easily accessible when compared to these formal institutions.
- They provided doorstep delivery of loans in many cases and doorstep recovery in most cases – which was extremely convenient for the poor and women as they did not have to miss out on their work/ household chores. This also meant lower travel and related expenses for them – all of which reduced transaction costs of access.
- They typically did not ask for collateral, margin money and/or loan security – social collateral is substituted for physical collateral.
- Their documentation was simple and informal with speedy loan sanctioning and disbursement. While it took many visits by the poor women to formal institutions to get a loan and there was no guarantee, they required just 1 or 2 visits to get a loan from microfinance programmes/ institutions.
- They provided loans with shorter lead times and that could be easily accessed at all times including emergencies. They were really 24-hour banking solutions for the poor.
- They offered credit at affordable interest rates when compared to the local informal sector (money lenders, etc.) as well as formal institutions (which had high transactions and access costs).

¹ In India, the major ones are the Self-Employed Women's Association (SEWA) and the Working Women's Forum (WWF)/ Indian Cooperative Network for Women (ICNW).

² In the 1980s and the 1990s, there was the development of a large number of specialised institutions that catered to women's need for financial access in the shape of organisations like the Grameen Bank, ACCION International, FINCA and others globally.

Microfinance today is very different as institutions are being created to meet the twin objectives of expanding outreach (to include greater numbers of poor people) and enhancing the sustainability of financial service providers called microfinance institutions (MFIs). As microfinance goes to scale, institutions and programmes are trying to put adequate mechanisms in place with regard to various components – governance, management practices, human resources management, financial resources management, microfinance programme design (product packaging including services, pricing, delivery mechanisms, etc) and stakeholder relations (see Figure 1) so as to professionalise the delivery of microfinance.

Figure 1: A New Microfinance Framework



This concern for a professional approach is the biggest focus of institutions and programmes, which perceive having competence in the above areas as essential for scaling up of microfinance activities.

3 Microfinance: Growth Trends, Scaling-Up and Performance

Worldwide, microfinance programmes and MFIs have grown at a burgeoning pace over the last few years. As data from Mix Market indicate (Annex 5), MFIs and microfinance programmes have enhanced their outreach over the period 2001-2004 in all the regions. Their growth in outreach is visible in terms of not just number of active borrowers but also gross loan portfolio and total assets.

Not to be left behind, government-sponsored programmes have also tried to enhance their outreach. The role of the National Bank for Agriculture and Rural Development (NABARD) in massifying and multiplying women’s self-help groups (SHGs) is a classic case of how a state-led mainstreaming strategy of linking women to banks has worked. There are very critical lessons from the replication and scaling up of NABARD’s SHGs, especially with regard to inclusion of women in the larger financial system. Today, the SHGs in India are a household name – many stakeholders are aware of and recognise them as an effective distribution mechanism for delivery of financial services to low-income people (see Box 2).

Box 2: The World’s Largest Microfinance Programme: The Case of NABARD, India

As at March 2006, over 33 million women had been linked to banks for financial services through 2.2 million self-help groups (SHGs). Growth has been spectacular in the past couple of years and about 620,000 SHGs were formed in 2006 with over 9 million women members. NABARD expects to form and support over 10 million SHGs by 2012.

Source: NABARD website.

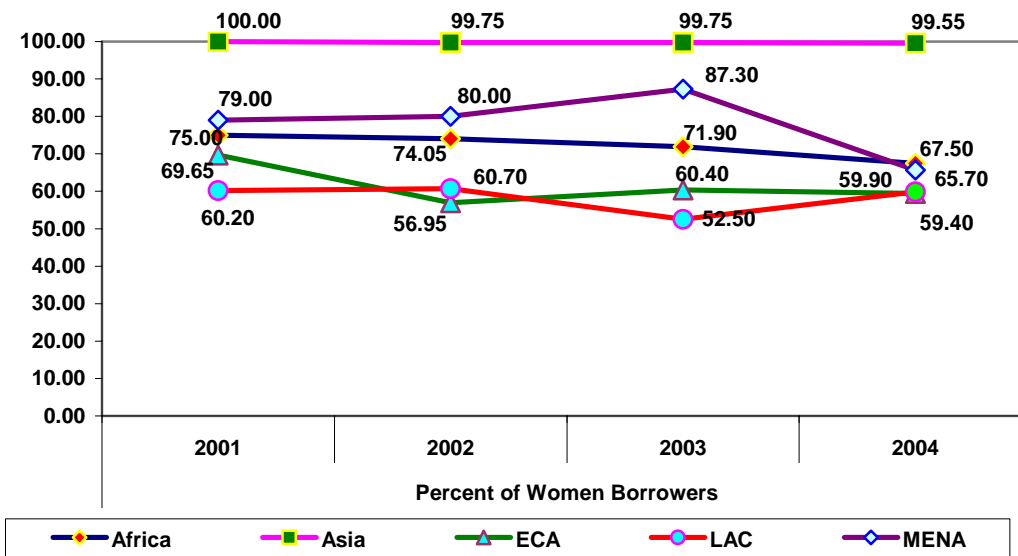
While performance in terms of outreach has indeed been spectacular, financial performance of microfinance programmes and MFIs – in terms of parameters like operational sustainability, portfolio at risk and return on assets – has been equally phenomenal. Annex 5 summarises recent trends on these aspects from the global Mix Market database across types of institutions, regions and simple/compounded peer groups. This shows that portfolio quality has improved over the years 2001–2004, as have financial returns and profitability.

3.1 Microfinance and Increased Access for Women: But for What Services

It was noted in the above section that the number of low-income clients who have gained access to financial services has gone up. However, two aspects require qualification of this statement.

First is the fact that there is still a paucity of accurate data with regard to absolute number of women clients and poor women served. Also, the data are largely self-reported information and hence there are issues of double counting across levels of analysis, lack of confidence in the data provided by individual microfinance programmes/ MFIs and the like. Notwithstanding these data limitations, it can still be argued that microfinance has indeed enhanced outreach over the last few years and also that its largest client ‘segment’ is ‘women’. This varies from MFIs having almost 100 per cent women clients in Asia to about 59 per cent in Latin America and Caribbean as well as other regions (see Figure 2).

Figure 2: Outreach by Gender of Microfinance Programmes/ MFIs Across Regions and Years



Source: Compiled from Mix Market Data, 2007.

As Susy Cheston (2006) argues ‘Women made up 66 per cent of microfinance clients funded by the U.S. Agency for International Development (USAID) in FY 2003. USAID targets women at a higher rate than men because of the empirical evidence that “cash surpluses controlled by women are more likely to be invested in the well-being of children and the household than are surpluses controlled by men,” as well as the “higher rates of social and economic exclusion” that women experience. The Microcredit Summit Campaign estimates that the number of very poor women with access to micro loans reached 55.6 million in 2004. This represents 83.5% of the poorest clients and not the total clients...In many MFIs, women have become preferred clients because more of their income benefits their families through improved nutrition, health, education and well-being; because they have higher repayment rates; and because women work better in the group lending programmes that make reaching the poor efficient’.

Box 3: Why Does Microfinance Focus on Women? (not exhaustive)

- Women have proven to be great clients and borrowers, at least from a microfinance perspective. Better performance is reported for MFIs with a large proportion of women clients on parameters such as portfolio at risk.
- They are considered as less of a credit risk. As a client segment, they have generally tended not to wilfully default.
- They are perceived as an easy client group to handle.
- They are said to have immense saving potential.
- Working with women is seen as a great entry point to work later with the household.
- Various governments and other stakeholders including donors have specified working with women as an important agenda item and also incentivised some parts of this process.
- Providing women with credit is said to have a greater impact on the well-being of families.

Second, while microfinance has done well in terms of extending access to financial services to low-income women, its focus has largely been in terms of delivery of credit. And within credit the focus, at least over the last few years, has largely tended to be on consumption loans and very small production loans. In reality, several critical financial needs are yet to be satisfied. Hence, the gender gap in terms of access to other financial services like formal/flexible voluntary savings (the most basic insurance product), health, asset, accident and life insurance, larger production and livelihood credit, etc, to name a few, remains to be addressed for a large majority of women (see Box 4).³

As Linda Mayoux (2007) notes, ‘Individual women need a range of different types of savings and loan products for different purposes... larger loans...loans for new activities, health, education, housing...Range of savings facilities which include confidential higher interest deposits with more restricted access to enable them to build assets protected from demands of other family members...and loans to reinforce and strengthen male responsibilities for household well-being, including that of their wives and daughters e.g. loans for daughter’s education and for a daughter to take with her on marriage.’

³ While innovative MFIs/ microfinance programmes have delivered the same to select clients, the larger and wider penetration of these services is still quite minimal.

Box 4: The Generic Financial Products Demanded by Poor Women

Savings: Savings mobilisation contributes to an institution's sources of funds for on-lending and is also a financial service that is equally, if not more, important to poor women than lending. In the absence of formal savings opportunities, poor women often pay depositors or store money in insecure places. The microfinance sector is still at its infancy for savings because of regulation in many countries and simple/ effective savings mechanisms are still in great demand.

Short-term finance: This is finance for working capital, such as inventories or (agricultural) inputs. Such short-term finance needs to be properly linked to (crop and business) cycles. The microfinance sector needs to provide flexible cash flow-based financing suited to the needs of low-income women and their enterprises.

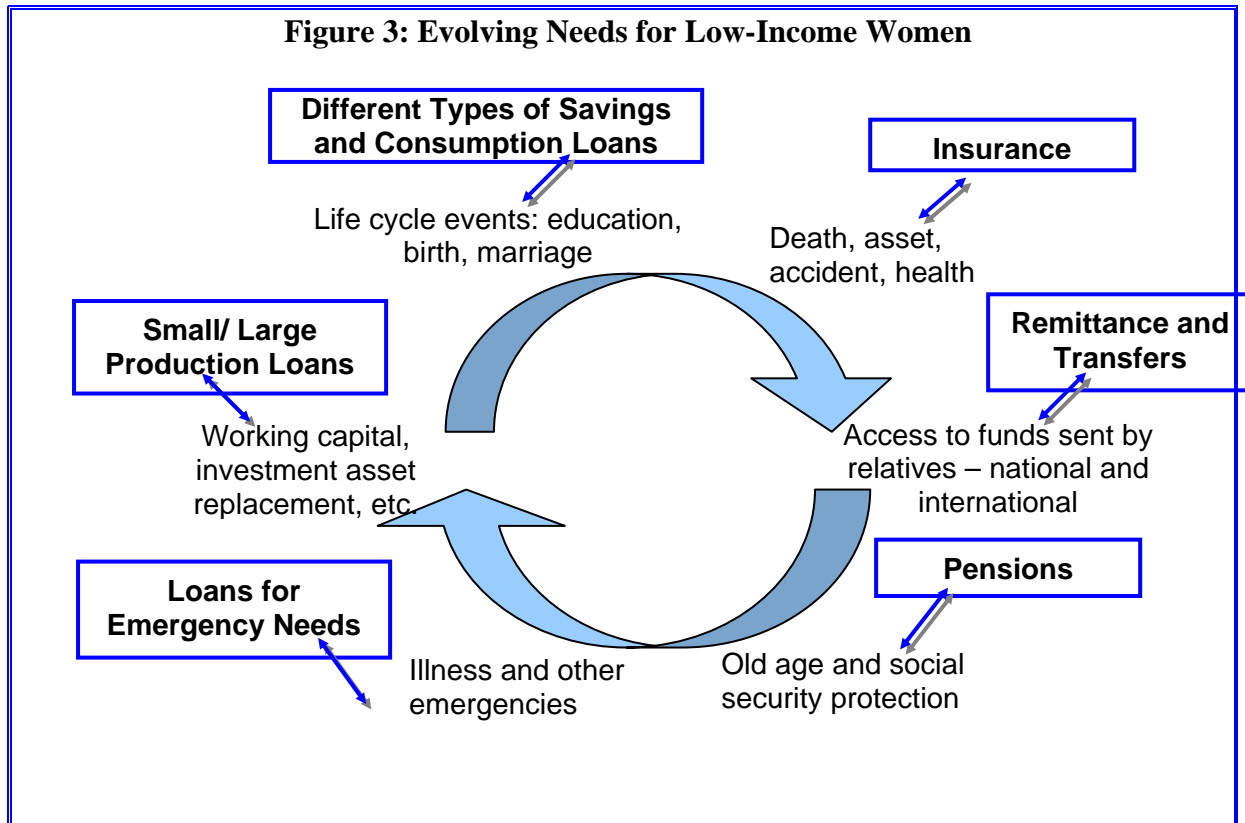
Term finance: Term finance, defined as loans with terms of around/ over one year, may be used for machinery, equipment, improvements, livestock, tree crops and processing equipment. Term finance does not only imply loans, and can also include leasing of machinery and equipment. Term finance tends to be more costly and risky than short-term finance, since it ties up larger amounts of money for longer periods, and requires the mobilisation of long-term funds (to balance assets with liabilities). These again are required to meet the long-term needs of low-income women as producers and owners.

Leasing: In a lease agreement, the leaseholder pays a regular rent/ lease for the use of equipment while the legal property remains in the hands of the institution. Due to the ready availability of collateral (the leased equipment), it may be an easier product for financial intermediaries to provide than other finance, but its viability clearly depends on appropriate tax, legal and other incentives. Micro-leasing is now a legitimate product and it needs to be more. It has great value for low-income women in Islamic countries, for example, and governments must create an enabling environment with regard to this.

Money transfer for remittances: Income from national or international remittances is important in many developing economies and it may well be the principal income source. Remittance monies can make great contributions to consumption smoothing. Thus, efficient mechanisms for money transfers are widely demanded by the poor and especially women. However, care needs to be taken to ensure that access to remittance services will not be misused for money-laundering purposes. This product is also in demand because of the requirement to transfer money from urban to rural areas. Also, remittances become important in certain sectors where migration is quite large (e.g. fishing) and low-income women need access to remittances as a survival strategy. The microfinance sector is yet to respond to this product need in a big way.

Insurance: Insurance products particularly have high demand from low-income women. These products include credit life loan insurance, health, accident, asset and other forms of general insurance, crop insurance and life insurance. While some of these products have been introduced, the experience with their performance has been rather mixed. More importantly, they are not available at the required scale. Recently micro-pensions have also been launched. Such risk-mitigation products need to be further refined and scaled up to meet the needs of low-income women.

Thus, low-income women have a range of evolving needs as mapped in Figure 3. Without question, as the figure shows, they need continued access to a wide range of the financial services mentioned here to counter the risks and vulnerability that they and their families face in their daily struggle for survival. Indeed, microfinance has a great business opportunity and social obligation in facilitating on-going delivery of these risk-mitigating financial services for low-income women at the required scale



Source: Adapted from Helms, 2006.

4 Access to Versus Control of Resources for Women

This then takes us to the most important aspect addressed in this paper. While it is true that larger numbers of women have gained access to financial services such as credit, the key question is: so what? It is therefore very critical to look at what access to a basic credit/savings product has done for low-income women. There are four discernible broad-level impacts of microfinance:

- e) It has enabled women to have a collective bargaining mechanism at the local level;
- f) It has facilitated them to move beyond their households and build relationships with various stakeholders;
- g) It has given them a platform to combat various social oppressions; and
- h) More than the money received through microfinance, at a very basic level, the self-management that it has fostered in some models (like the village banks and/or SHGs) is what has perhaps led to some empowerment of women.

Thus, while the key point that microfinance has got women together and also empowered⁴ them (in a basic sense) is well taken, very little⁵ is known about what it has achieved in terms of closing the gender gap on aspects such as (but not limited to) the following:

- Women's ownership of and control over assets;
- Women holding custody of income;
- Women gaining access to domestic and community economic/other resources;
- Women's productive versus reproductive roles, etc; and
- Women's indebtedness.

The picture that emerges almost three decades after the advent of the tool we today call microfinance seems rosy on the surface, but it is perhaps not so rosy at a deeper level. While success stories are touted at every conference or seminar on microfinance, whether global or local, and incredibly attractive statistics are reeled off, certain critical questions remain. One is with regard to the question of access to resources and finance and the other is with regard to control over these resources and finance – the latter being very critical for true empowerment of women as well as sustained poverty alleviation.

Box 5: Microfinance and Women's Empowerment: How Strong is the Association?

In literature prepared for the international and regional Microcredit Summits from 1997 onward, many donor statements on credit and NGO funding proposals present an extremely attractive vision of increasing numbers of expanding, financially self-sustainable micro-finance programs reaching large numbers of poor women borrowers.... An increasing body of evidence suggests that contributions to women's empowerment of micro-finance *per se* cannot be assumed and current complacency in this regard is misplaced.... Credit is also debt. Savings, loan interest and insurance premiums are potentially also foregone investment in businesses, children's education and health or necessary consumption. In many cases women continue to earn very low-incomes in increasingly saturated markets. Women's access to even these very small incomes may lead to men withdrawing their contribution to household expenses. Group formation for debt repayment takes up women's precious time and does not necessarily lead to changes in women's status.

Source: Mayoux, 2007.

As noted earlier, undoubtedly poverty has an important gender dimension and any serious attempt to reduce poverty must be holistic and address the gender aspects. Mere provision of credit cannot tackle poverty in the absence of ensuring that women really hold custody of the income that they earn. There are too many instances of women earning the money and men using it for alcohol and/or other indulgent expenditure. Consequently, while women have been extremely 'good' to microfinance and MFIs as clients, borrowers and members, it is unclear whether microfinance has been really good for women in terms of financial, social and personal empowerment. Some of these aspects have been mapped in Table 1 below.

⁴ 'Some women, including some very poor women, have been able to set up enterprises, bring about change in gender relations in the household and become leaders in their community. Nevertheless, despite its shortcomings the evidence indicates that all the linkages assumed in the literature between access and empowerment need to be questioned' (Mayoux, 2007).

⁵ While there have been some studies at essentially local and country levels, these aspects need to be consistently explored and measured in an objective manner (over time) and analysed. This author sees a clear imperative for integrating gender and impact data in management information systems (MIS) of microfinance programmes/ MFIs. This is currently lacking.

**Table 1: Impact of MFIs/ Microfinance Programmes on Women's Empowerment:
Available Evidence⁶**

Strong evidence available re impact	Partial evidence available re impact
<ul style="list-style-type: none"> • Women in microfinance support other women in various ways such as paying for missed loan instalments or compulsory savings • Increased personal savings for women • Increased confidence and assertiveness of poor women • Greater respect at home for women • Greater access to basic savings/ credit at an affordable interest rate for women • Experience in dealing with local government officials for women • Enhanced self-confidence for women • Better understanding and dealings with markets for women • Improved knowledge of banking procedures for women • Enhanced women's ability to understand accounts, interest rates, etc • Emergency coping mechanisms for women and families • Creates pressure on banking institutions to improve services to poor women 	<ul style="list-style-type: none"> • Women participate in community action on various social issues like tackling dowry, alcoholism, etc • Women learn more about things like going to a bank, dealing with the outside world, etc • Repayment of old loans by women and families • Release from indebtedness for women and families • Reduced abuse/ injustice against women • Pledged articles redeemed by women and families • Political participation of low-income women in local government bodies (e.g. <i>panchayats</i>) • More interaction with local or other government officials for women • More interaction with formal financial institutions and banks for women and families • Increased access to timely and affordable credit in sufficient quantity for women • Greater respect/ support from husband for women • Greater courage to participate in local politics • Family members are happy because of new support system of microfinance • Enhanced incomes for women • Enhanced ability to cope with crisis/ emergencies at individual and household level • Changes in men's attitudes to women
Clear evidence not yet available re impact	No serious evidence available re impact
<ul style="list-style-type: none"> • Enhanced role for women in community decision-making • Freedom from tied and exclusive transactions with landlords, moneylenders, brokers and traders for women and families • Improved food security for women and families • Increased attendance in schools for girls and children • Investment in education by/for women and families • Investment in housing by/for women and families • Reduced alcoholism and violence against women • Wider access to new resources and arenas, particularly for women 	<ul style="list-style-type: none"> • Reduced workloads for women • Provides women greater control over their income/ assets • Women have control over spending patterns • Increased time for self/ leisure • Reduced time spent on monotonous/ invisible work for women • Increased ownership of other assets like jewellery for women • Increased women's role and influence in financial decision-making (such as personal/ household expenditure, investment, borrowing, use of income/ profits) • Enhanced women's role and influence in aspects like marriage, education • Reduction in dowry and dowry-related incidents on women

⁶ Based on several sources and discussions with experts.

Thus, as suggested in Table 1 above, even on the aspect of access, several issues remain unanswered. Two are very relevant and are addressed here. First is the aspect of whether microfinance programmes have really provide access to credit and financial services for all of their target clientele. While it cannot be denied that the microfinance sector has achieved some degree of success in terms of providing access to credit and financial services to a good number of women, including those living in remote areas, one can only say that, at best, a beginning has been made. The number of poor, and women in particular, who are yet covered by microfinance is still very large. And this question of access will continue to be a matter of debate as long as credible gender and poverty disaggregated data remains unavailable with regard to microfinance.

Likewise, second is the issue of control, which also requires serious attention. Are microfinance programmes ensuring women's empowerment merely by enabling access to credit and financial services? What checks are in place to ensure that the women who avail the credit actually have control over the use of the funds? There are many incidents where the end users of credit are men and the women are more proxy recipients than anything else. Unless, there is a significant change in perception in the minds of the women themselves of their rights and privileges vis-a-vis the men in the household, providing credit and financial services will only provide a veneer of empowerment and not (em)power in the true sense of the word.

As Feiner and Barker (2007) note, 'The evidence on micro credit and women's empowerment is ambiguous. Access to credit is not the sole determinant of women's power and autonomy. Credit may, for example, increase women's dual burden of market and household labor. It may also increase conflict within the household if men, rather than women, control how loan moneys are used. Moreover, the group pressure over repayment in Grameen's loan circles can just as easily create conflict among women as build solidarity.' This then leads us to the question of what specific gender challenges exist for microfinance, and this is discussed in the next section.

5 Gender Challenges and Microfinance

Without question, there are several gender challenges for microfinance, and these need to be addressed if microfinance is to truly empower women:

- First is the question of how to enable greater access to the vast majority of unreached women. This is the massification challenge, and it is borne out by the fact that even in countries like India with supportive policy frameworks, a large number of women are still excluded from access to a wide range of financial services.
- A second serious challenge for microfinance is that it primarily targets women who already have very little access to assets. So, from a financial standpoint, by increasing debts for women, it may perhaps be contributing to making women's net worth negative, at least at a basic level (see Table 2).

Table 2: Assets and Liabilities, Post Microfinance

Assets	Liabilities
<ul style="list-style-type: none">• Not much change in asset ownership for women within the household• Cash obtained as loans is used for consumption and/or production	<ul style="list-style-type: none">• Increased liabilities• Increased debt burden for women
<ul style="list-style-type: none">• Some automatic empowerment in terms of being a part of the microfinance platform – SHG, joint liability group, solidarity group, etc.	<ul style="list-style-type: none">• Increased financial pressure for repayment including onus and responsibility• Increased vulnerability

- A third challenge is that microfinance pushes the debt and poverty burden almost exclusively on women, as it considers women more credit worthy and less of a credit risk.
- A fourth aspect often mentioned is that microfinance has traditionally supported women in group settings – self-help groups, joint liability groups, solidarity groups, etc – and that it has done very little to enhance women’s access to larger individual loans required for establishing and running small and medium-sized enterprises (SMEs).
- Fifth is the issue of gender oppression. Most MFIs deliver financial services through field workers/ loan officers, who generally tend to be men rather than women. There are several issues that arise in such a situation that requires urgent attention from a consumer protection and gender standpoint. Added to this is the aspect that there are fewer women chief executive officers (CEOs) and heads of MFIs as well as women in senior management of MFIs (see Box 6).

Box 6: WAM Women in Leadership Survey 2005

If we accept the argument that having women as decision makers in an industry is important in serving the market of women, it would be helpful to know how well we are doing as a microfinance industry. In 2005, Women Advancing Microfinance (WAM) set out to learn just that. WAM carried out a survey of 198 institutions in 65 countries, of which 163 are microfinance institutions and the remainder is made up of microfinance networks, service providers, funders, and others in the industry. Participation was particularly strong among members of the Microfinance Centre for CEE and the NIS and members of the Opportunity International Network, and MFIs participated on an entirely voluntary basis, which likely skewed results toward institutions with a greater interest in gender issues and possibly greater representation of women in their leadership. Nevertheless, it is interesting to look at this first attempt to get some hard data on where we stand as an industry regarding women as board members, managers, field officers and clients....

Looking only at the microfinance institutions (including those practicing in Northern countries), an average of 36% of board members were women; an average of 44% of managers were women; and an average of 49% of field officers were women. Women on boards ranged from a high of 40% in Sub-Saharan Africa to a low of 27% in Asia. The U.S. spiked with women managers at 62% whereas Western Europe had a low of 34% and all others fell between 40 and 52%. The total of women clients among the organizations participating was 63%. These figures are skewed as a result of the impressive participation of CEE and the NIS in the survey, which had an average of 48% women clients (with Western Europe only slightly higher at 50%). As might be expected, Asia had the highest percentage of women clients (86%) followed closely by sub Saharan Africa (83%) and Latin America (80%). Field officers in this survey do not generally reflect the customer base. Field officers for all regions hovered between 41% and 49%, with the exception of Latin America (64%) and the US/ Canada (76%).

Source: Cheston, 2006.

As Susy Cheston (2006) further argues, ‘One pressure point making it harder to recruit women for microfinance leadership positions is the trend toward commercialization of microfinance and another is the increasing professionalism throughout the industry as a result of increasing size, scale and complexity. In both cases, it becomes harder to find women who have the experience and qualifications necessary to do the job.’

- Sixth, most microfinance programmes work through group-based delivery mechanisms. There is a challenge that such mechanisms place an extra burden on women to make them bankable in terms of attending weekly meetings (loss of livelihood and related aspects), record keeping and compliance on all aspects required by the SHG/ NGO/ MFI. The net result is a significant increase in transaction costs. The real question here is how women really feel about activities that the microfinance sector has generally assumed them to be happy about. Operationally, it can be seen that women are perhaps hassled and sometimes actually skip meetings and/or do not stay for the full time. Also, there is an instrumentalist approach to microfinance delivery in the group setting. The women in groups (especially, SHGs) are used for routing a wide range of government-sponsored

development messages and schemes, and the burden of work, saving and repayment is on the women alone.

- Seventh, members belonging to marginalised groups, such as tribal communities or migrant workers, as well as women-headed households are often unable to save or repay regularly – a precondition for most microfinance programmes. As a result there is perhaps an exclusion of the poorest.

Thus, ‘on many levels, the microfinance industry has embraced best practices in reaching women clients, but understanding of how best to provide services for women could be much deeper within many MFIs. As the industry grows, even basic knowledge about the nature of women’s businesses and the best ways to provide financial services to support them is sometimes ignored or lost in the face of new contexts and new pressures. It appears that not only are women good for microfinance, but also that microfinance could be even better for women with a little more focus on gender differences’ (Cheston, 2006).

It is therefore critical that microfinance address these gender challenges and re-discover its original mandate of empowering women. This is possible only if various stakeholders participate holistically and firmly resolve to quickly address these challenges. Thus, it is opportune that the private sector appears to have sensed a great business opportunity in servicing bottom of pyramid markets, especially those pertaining to women. Some of them are already trying to cater to the special needs of low-income women in different contexts.

While it is very early days for many of these projects, they nonetheless promise to deliver a lot, at least in terms of being client-oriented and gender-sensitive. The initial feedback from the field also suggests that private sector financing could indeed be a viable alternative option to reach out to low-income women in ways convenient to them. Hence, some examples of innovative private sector financing projects are discussed in the next section, along with possible strategies for engaging with them. It is critical to understand these prior to making the recommendations.

6 Private Sector Financing: An Alternative Route to Serving Low-Income Women

6.1 Engaging with the Private Sector: The Challenge Fund Approach

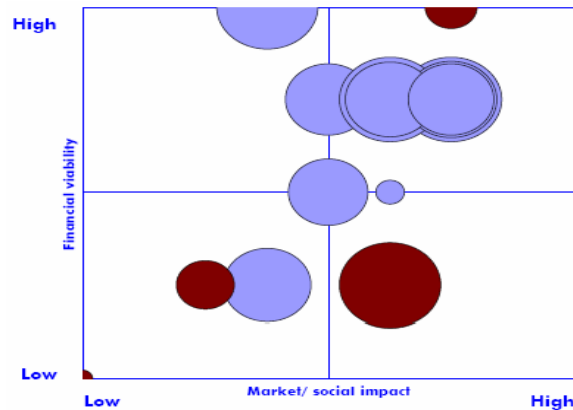
As noted earlier, while microfinance is one route to delivering financial services to low-income women, a second channel that has opened up over the last few years is private sector financing, often catalysed by donor-based challenge fund mechanisms as well as sometimes by their own natural inclination to serve bottom of pyramid markets.

Challenge funds, as a mechanism to route money for social and economic development projects have attracted increasing attention over the last few years. DFID – which pioneered the design of challenge funds through the Financial Deepening Challenge Fund (FDCF), Business Linkages Challenge Fund (BLCF), Civil Society Challenge Fund (CSCF) and others – has used this approach to support development projects in collaboration with the private sector in a competitive manner. Several others have also used the challenge fund approach for making competitive awards in financial services, including the Consultative Group to Assist the Poor (CGAP), the Ford Foundation, USAID and the World Bank.

‘...[The] FDCF demonstrated a strong value proposition for using the challenge fund in bringing financial services to rural areas and banking the un-banked. It also proved effective

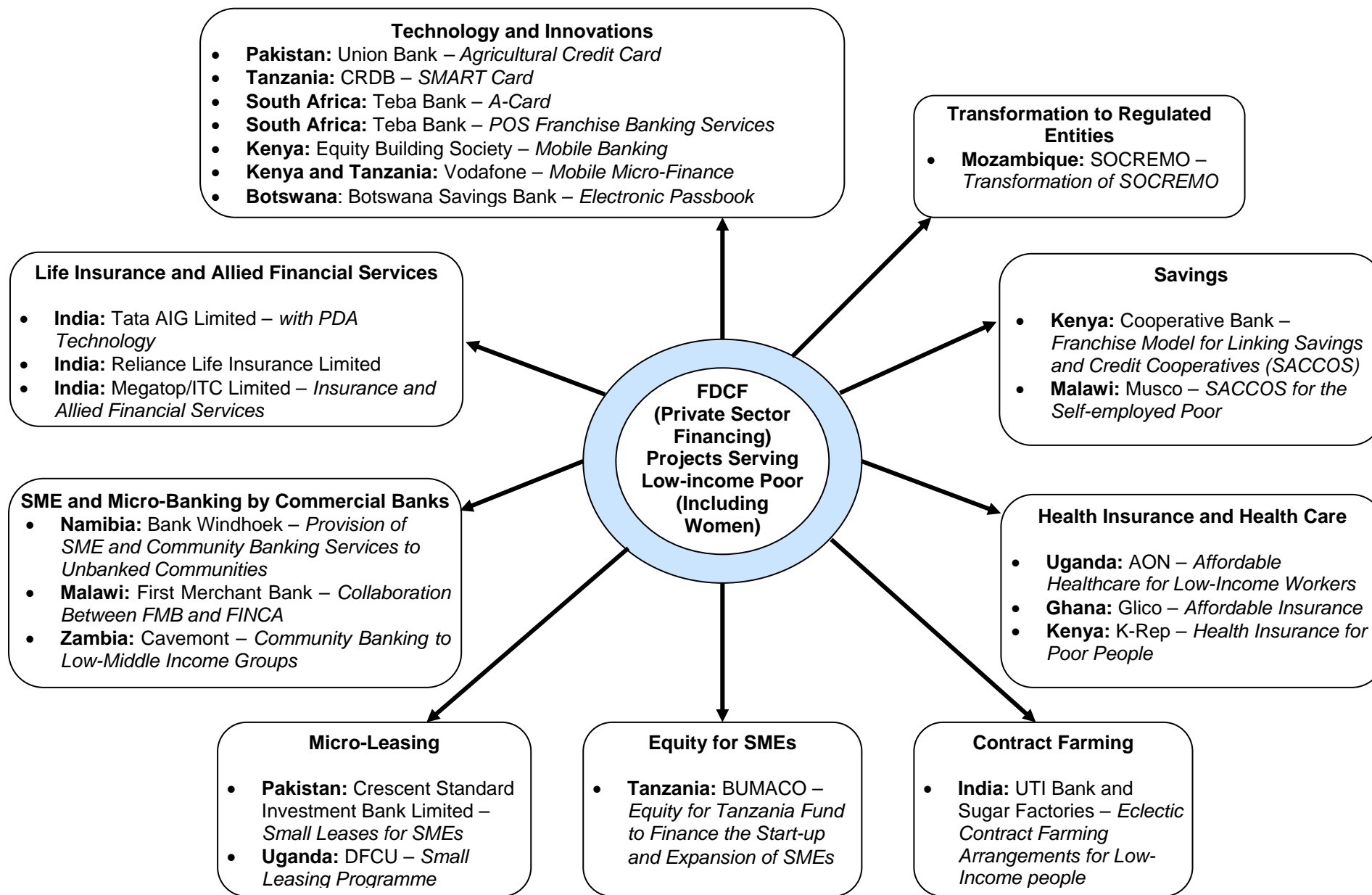
in catalysing financial deepening in countries with relatively weak enabling environments and where little previous work has been done.... The FDCF provided incentives to the financial sector to try new ways of extending financial services to the poor. The grant funding provided helped to pilot projects with assured social impact but uncertain financial returns to test their commercial viability. Of the 29 projects funded, 9 achieved high social impact combined with high financial returns whilst the majority achieved a combination of reasonable social and financial returns [see Figure 4]. The £15m spent leveraged £72m in private sector finance’ (DFID, 2007).

Figure 4: Market Social Impact



There are several such private sector financing projects worldwide through the FDCF and other donor funds mainly for low-income people (women included) in different sectors. The key FDCF projects are diagrammed in Figure 5 and a more comprehensive description of these projects can be found in Annex 1. Although many of these projects are in their pilot phase or have just completed this, they offer alternative solutions to some of the traditional problems associated with microfinance – they are innovative, ready to take risks and walk uncharted terrain and, most importantly, are commercially oriented but have a strong client (woman) focus. As good commercial organisations, they believe in serving their customers well and recognise the value and importance of being market-led – which they see as a very critical criterion to serve low-income clients in the long run. Therefore, they appear to be very suitable and worthy alternatives as they are mainstream and should deliver client-led services in a sustainable manner to low-income women.

Figure 5: Mapping of Innovative Private Sector Financing Projects Under DFID FDCF⁷



⁷ Source: FDCF website: www.financialdeepening.org.

‘Challenge funds are a proven instrument in stimulating private sector innovation.... Their comparative advantage is their ability to be a powerful, lean, light-touch instrument that stimulates the private sector to test new ways of working where the returns and risks are unknown. Other reasons are: (1) They respond to innovations by the private sector and do not pick winners; (2) They capture the strengths of the private sector – the ability to generate and test new ideas, and rapidly abandon them if they do not work; (3) When well managed, they can catalyse systemic change in markets; and (4) Lastly, they help prove the viability of new business models and enhance the ability of such projects to be replicated and access commercial finance’ (DFID, 2007).

Five such innovative projects, are described in the next section and some of these are already being commercialised, which, as noted above, is perhaps the greatest advantage of engaging and working with the private sector.

6.2 Examples of Some Innovative Private Sector Projects⁸

There are several projects from the FDCF that have had high market/ social impact and high financial viability. Five such projects are briefly described below. Further information about these and other FDCF projects can be found in Annex 1.

6.2.1 Commercial Microfinance Facility: Deutsche Bank

‘A \$1.5 million grant from the FDCF helped Deutsche Bank raise upwards of \$75 million from leading institutional investors. The Deutsche Bank wholesale microfinance facility seeks to graduate investors and commercial banks away from perceiving the microfinance sector either as an object for philanthropic assistance or as a high-risk investment, and toward recognising it as a viable target for commercial investment. The Facility, which is offering its investors a commercial rate return, provides domestic commercial banks in Africa, Asia, Eastern Europe and Latin America with back-to-back arrangements to underwrite advances to local MFIs. This transaction had a strong demonstration effect and helped in creating a commercial market for microfinance-based instruments with managed risks as shown by J P Morgan with their microfinance bond issuance of \$ 40 million.’

6.2.2 Vodafone: M-PESA, Kenya

‘An FDCF grant helped Vodafone develop a mobile telephony-based commercial platform known as “M-PESA” in partnership with a Kenyan mobile phone operator, Safaricom. This project has helped provide connectivity for retail financial institutions like MFIs to enable disbursement and collection of loans in more cost-effective forms. The number of poor people with mobile phones is much higher than the unbanked population in Kenya and with technological innovation it is possible to bring financial services to many more people. The market was at a nascent stage with high growth potential, but large multinationals like Vodafone may not have made the investment in absence of a challenge fund grant. These are early days but a success of this project should have a demonstration effect on increased use of new technology for market access in remote areas which were not considered commercially viable. Vodafone has now established a new department to invest in providing new services through mobile telephony and an internal challenge fund to replicate what FDCF assistance enabled it to achieve in Kenya.’

⁸ Taken from DFID, 2007.

6.2.3 The Great Lakes Cotton Company, Malawi: Catalysing Supply Chains

‘BLCF funding (£290K) helped the company defray the initial cost of establishing a partnership between a consortium of large ginners and associations of smallholders in Malawi to provide pre-treated seeds, technical assistance and other inputs to registered farmers and to buy back the cotton produced. Results achieved: over 200,000 farmers increased cotton production 265% and obtained better prices for their cotton; the number of casual labourers employed increased by about 25,000 in just one year; Malawi tripled its cotton exports.’

6.2.4 Café Direct, East Africa: Improving Market Access

‘In response to a demanding new private standard introduced by the British Retail Consortium, the company is working with 7 supplier’s organisations to implement HACCP and train and appoint 3 local inspectors to assure product quality providing access to an attractive market for 40,000 farmers. The BLCF grant helped reduce the cost of technology transfer and training and allowed Café Direct to test the financial viability of a project with high social impact.’

6.2.5 Unilever, Tanzania: Creating New Product Markets

‘The BLCF grant provided the incentive for Unilever’s research department to implement a pilot scheme for smallholders to gather and cultivate *Allanblackia* nuts, a low cost source of vegetable fat, for export from Tanzania. The nuts occur naturally in tropical countries but have yet to find commercial use. The pilot aims to establish an international market for the nuts open to all prospective buyers and suppliers. To date 4,000 smallholders have benefited.’

6.2.6 Tata-AIG, India: Delivering Life and Related Insurance⁹

The FDCF grant has enabled provision of life, credit term and children’s education insurance products (that act as long-term savings facilities that can be realised either on maturity or death) to about 25,000 landless daily wage labourers in Andhra Pradesh in India, using an innovative gender-sensitive delivery mechanism called CRIGs (community rural insurance groups). TATA-AIG was awarded additional FDCF funding of £48,767 in January 2006 to scale up operations (under new, more flexible micro insurance regulations), enhance controls and improve front-end processes (cash collection and receipting).

6.2.7 Megatop, India: Delivering Financial Services Through A Technology Platform¹⁰

The FDCF grant has facilitated delivery of a range of insurance products such as endowment, term and pension policies to afford protection and provide avenues for savings to (including marginal, small and medium) farmers from 9,000 villages in Andhra Pradesh and Madhya Pradesh with a primary focus on remote villages. Megatop was awarded additional FDCF funding of £122,925 in January 2006 to offer credit and investment products, in addition to insurance products, through the e-choupal network to various target clients including SHG women living in remote areas of Bundelkand, Madhya Pradesh.

⁹ Adapted from www.financialdeepening.org.

¹⁰ Adapted from www.financialdeepening.org.

Hence, as discussed in this section, the private sector can indeed be a very useful partner in financing for gender equality and their strengths and interests need to be strongly leveraged through appropriate public-private partnerships (PPPs).

To recapitulate, the following (summary) aspects require attention with regard to financing for gender equality and accordingly have been considered while making the recommendations, which are discussed in the next section:

- Enablers are necessary to ensure that private sector, banking and formal finance institutions become more visible and accessible to poor women.
- Alternate channels in under-reached areas are certainly required and a development focus is necessary in regulation to ensure inclusive access to low-income women for a range of financial services. As noted above, the private sector represents a good alternative through PPPs.
- Poor women are creditworthy even by the standards of informal moneylenders. This fact has to be acknowledged and flexible finance made available to them on easy, affordable and convenient but non-subsidised terms. The potential of such flexible finance to enhance the discretionary income of poor women and their families is immense.
- The timing of intervention is most critical – when that critical time is passed, any intervention can have just minimal effect.
- Women need a range of financial services. Apart from the typically talked of credit and savings, access to risk and vulnerability-reducing mechanisms such as insurance can prove really useful.
- Governments also need to take note that health-related issues can virtually debilitate many poor women and their families and dispossess them of their primary assets and security – physical labour. Hence it is imperative that, among the first interventions, policy should focus on ensuring access to basic risk mitigation and social protection mechanisms for low-income women

7 Recommendations

There are five generic recommendations, keeping in view the various challenges

7.1 Recommendation 1 – Establish a Global Gender Innovation Challenge Fund

The first recommendation is that it is critical to establish a Global/ Commonwealth Gender Innovation Challenge Fund to help the microfinance industry and private sector innovate and develop models, methodologies, products, processes, procedures and performance measures for financial intermediation specially tailored to the needs of low-income women in several contexts. It is suggested that this fund be established with contributions from respective governments, multilateral and bilateral donors and other stakeholders. The Commonwealth Secretariat would be uniquely placed as the global coordinator.

The Challenge Fund will catalyse the microfinance industry and private sector to innovate and find profitable ways of enhancing access for women – especially need-based products and delivery mechanisms. The fund will focus on stimulating innovation in financial markets and deepening access to financial services for women, using a gender-sensitive methodology for design, piloting and implementation. In generic terms, the following types of assistance could be available from this fund:

- **Outright grants** to support model, product and process development, technical assistance and capacity building, market research, systems development with regard to innovation

in gender-oriented microfinance etc – this is not meant to be an exhaustive list but rather indicative.

- **Risk fund capital** to absorb loan and other losses and mitigate risk arising from some new form of financial intermediation especially for women – this is almost equivalent to the FLDG (first loss default guarantee) in many finance projects, including for MFIs.
- **Soft loans** (at 1–3 per cent) for enabling investments in infrastructure etc as dictated by the context/ project, with a medium- to long-term horizon (5–10 years), again with the focus being innovation in respect of gender microfinance.
- **Quasi-equity investment** in special purpose vehicles (SPVs) for the innovative gender microfinance projects in question with provisions for return on investment as well as exit routes for the fund in terms of its equity over the years – the purposes for use could be flexible here but with the mandate of facilitating entry of women into larger and SME type enterprises.
- **Guarantees** could also be provided in certain cases, especially to incentivise the existing financial sector and/or investors to invest in gender-sensitive microfinance models, products, practices etc, and the terms could be decided on a case-by-case basis.

A detailed design exercise to establish the first Global Gender Innovation Challenge Fund would have to be undertaken.

7.2 Recommendation 2 – Create an Enabling Environment for Supporting Financing for Gender Equality

The second recommendation is primarily for governments and central bankers/ regulators.¹¹

A) Ensuring a minimum number of women directors in MFIs and intermediaries: As MFIs, microfinance programmes and other intermediaries grow and attempt to reach larger number of poor women, the institutional form and associated governance mechanisms become very important. These MFIs/ microfinance programmes/ intermediaries must focus on governance-related issues and evolve appropriate strategies to transform their governance structure from an informal type of governance to a more formal, transparent and accountable governance structure that is, most of all, gender-sensitive.

Specifically, the focus should be on the board of directors' roles, functioning and composition: with attention to independent directors (especially women directors), terms of office, rotation of board of directors, status of chairperson, segregating CEO and chairperson, and capacity building of directors. Most, importantly, representation of women on the board requires attention. Governments, central banks and special microfinance/ SME regulators, in the respective countries, through appropriate legal frameworks, could mandate a certain minimum number of women independent directors (suggested percentage is at least 30 per cent) in MFIs/ intermediaries.

MFIs/ intermediaries/ institutions should also be encouraged to follow standards of gender-sensitive corporate governance¹² including specific disclosure norms on gender gaps (Annex 6). Governments and other concerned stakeholders such as donors can support training,

¹¹ While governments, commercial banks, microfinance industry and other stakeholders also need to be involved in this, the key action is required by the central banks and regulators.

¹² Governance is an aspect that is lacking among financial intermediaries and can be regarded as the key factor that could ultimately result in failures.

research and implementation mechanisms that will help to improve governance across the board, in all types of MFIs, intermediaries and institutions and also make such governance gender-sensitive. Governments should also enact laws to incentivise/ disincentivise good/ bad governance practices (respectively) with regulatory and industry association support, especially with regard to gender issues and closing gender gaps.

B) Establishing an integrated and comprehensive database on microfinance and gender:

Credit history is the only immediate collateral that a low-income woman client builds through her prompt repayments of small loans over the loan cycles. Capturing this credit history and making it available to the client/ financier is increasingly becoming important. There is a critical need for a credit bureau for microfinance disaggregated by gender and poverty data, and this is an aspect that governments need to focus on to enable integration into the financial system mainstream.

C) Sensitising central bankers and regulators on the special needs of low-income women and related technology:

In several cases, regulators are not even seriously aware of the problems and issues related to gender and as they relate to low-income women. There is a need to invest in sensitising the regulators, especially with regard to building regulatory/ supervisory mechanisms tailored to the financial and livelihood needs of the strategic context – i.e. of low-income women.

Without question, internet kiosk banking, e-choupals, mobile/ SMS banking, various types of electronic cards and other such applications of technology to reduce transaction and operational costs will undoubtedly require special regulatory expertise in not only the finance domain but also the technology domain. Hence, there is a need to invest in technology training for regulators, especially in areas that are likely to have an impact on low-income women (see Annex 3).

D) Encourage standards for gender in regulatory reporting of performance:

There is also a critical requirement to establish standards for MFIs/ microfinance programmes in terms of adapting system requirements for MIS, risk management, internal controls, internal audits and portfolio management to ensure data on gender as well as be sensitive to gender issues. Further, regulators should encourage MFIs to establish country-specific standards incorporating gender aspects such as (but not limited to) the following: (1) number of active women on the board of directors; (2) number of active women senior managers; and (3) number of active women field staff. Qualitative aspects that need to be focused on are whether women staff in microfinance programmes have real authority and responsibility.

Also, funding for microfinance is often conditional on fulfilment of some level of financial sustainability criteria specified by various stakeholders – including bilateral and multilateral donors – who set standards. That is fine, but measures of financial sustainability for MFIs must be integrated with gender measures to get a holistic picture. Therefore, the incorporation of gender measures in evaluating MFI performance is very necessary.

7.3 Recommendation 3 – Support Demonstration Pilots on Financing for Gender Equality¹³

Governments and donors could initiate action pilots to test out new models, new methodologies and new products like micro-pensions, alternative savings products, technology-based delivery systems (including SMS banking and use of e-money – see the huge success of Vodafone with the poor in Africa), special products for women, flexible versus fixed repayment, individual lending models, cash flow based financing, etc. These could be supported through the Global Challenge Fund as well as locally supported, in country, by national governments and donors.

A) Special financial products for women: In many situations, PRAs conducted in India, suggest the largest source of stress (for low-income women) appeared to be loan repayments. This is not surprising as institutions like *MicroSave* have repeatedly pointed out the same in East Africa and Asia.¹⁴ Therefore pilots that promote understanding on how to create products specifically for women, with loan terms and conditions convenient to women's needs are required. These action pilots need to be carefully structured and evaluated over time so that appropriate information is obtained with regard to the entire gamut of risks and vulnerability that women face in their daily struggle for survival in several contexts, their coping mechanisms and strategies and also on how these risks and vulnerability could be mitigated by delivery of microfinance products through appropriate delivery mechanisms. This information could be collated to serve as a guide to promoting innovative and gender-oriented microfinance in various contexts including type of products, processes, delivery mechanisms and the like.

B) Delivery of risk management products tailored to the needs of low-income women: While, the design of specific and innovative micro-insurance products tailored to the needs of low-income women has received significant attention in several contexts, a more crucial aspect concerns the delivery and distribution of these micro-insurance and risk mitigation products. There is a need for an action research pilot that would throw light on aspects related to distribution of micro-insurance for low-income women.

C) Reducing transactions costs for retailing: The search for a low-cost retail model for delivering financial services to poor women is another aspect that is worthy of attention. With or without the use of technology, it is time for the sector to provide a low cost alternative to massify retailing financial services to poor women. The use of mobile phones and other such mechanisms needs to be explored in a manner in which they can be scaled up. Too often, pilots are conducted in such a way that their success cannot be replicated or controlled during a large-scale rollout. Investing in public-private partnerships that use a variety of stakeholders to provide efficient scaleable retail models that are efficient, effective and adaptive from the perspective of low-income women is perhaps required.

D) Encouraging public-private partnerships to overcome market imperfections. This is a key aspect, and pilots to enhance urban and rural livelihoods for women in several sub-sectors, are required. Such pilots should: (1) attempt to spark (sustainable) growth with regard to micro-enterprises and micro-livelihoods systems in sub-sectors where low-income women can be found in large numbers; and (2) facilitate development of strong and vibrant

¹³ Adapted from Arunachalam et al, 2007.

¹⁴ *MicroSave* website and public documents.

micro-enterprises and micro-livelihoods systems, where a large number of low-income women are active, by investing in them and related infrastructure. In doing this, they should ensure a fair, equitable and value-added distribution of revenue from the supply chain for various products/ services in different sub-sectors where low-income women have a natural advantage.

E) Enabling livelihood financing for women through larger loans/ individual lending:

There is a great window of opportunity for MFIs to get into ‘livelihoods financing’, in partnership with bankers/ corporations and other(s) through public-private partnerships. MFIs could certainly play an important role in several sub-sectors through livelihoods financing with one or a mixture of several products, tailored to the needs of low-income women: (1) warehouse receipt financing; (2) contract farming (various types); (3) cash flow-based financing; and (4) other innovative products including leasing. All of these need to be piloted in different contexts, with a view to further build and upscale financing for gender equality.

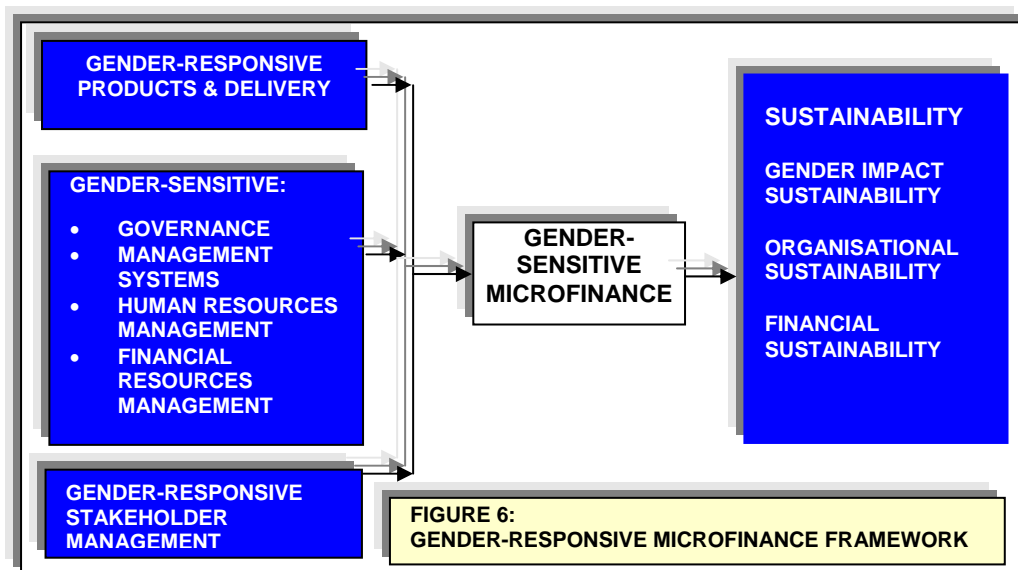
7.4 Recommendation 4 – Facilitate the Global Microfinance Industry to Adopt Gender-Sensitive Practices

The fourth set of recommendation is for the global microfinance industry and these essentially pertain to specific focus areas in microfinance that require gender inputs and sensitisation, based on which systems and practices would have to be adapted and changed. The key stakeholders here are industry associations, technical support bodies like CGAP, MFIs and other stakeholders like central banks and regulators in various countries.

Given its origins, microfinance must be made to re-discover its original mandate of empowering women. This is possible only if various stakeholders in the microfinance industry participate and firmly resolve to quickly address the existing gender challenges. The need and time for gender-sensitive microfinance (see Figure 6) could not be more appropriate. Among other things, this would entail aspects like (but not limited to) the following:

- Establishing gender-sensitive governance mechanisms, including greater and real representation for women as directors and senior managers in MFIs/ intermediaries;
- Instituting gender-sensitive management systems and processes at MFIs/ intermediaries, including real transfer of authority along with responsibility;
- Facilitating more women to become a part of the microfinance human resource pool and providing special incentives to institutions that support this;
- Allocating financial resources required for gender sensitisation of various stakeholders including MFIs, regulators, rating agencies and others;
- Designing, testing and rolling out special microfinance products and delivery mechanisms suited to the unique needs of women, particularly in terms of reducing women’s risk and vulnerability;
- Evaluating microfinance programmes not just on the basis of financial parameters but also using social performance indicators that focus on women’s empowerment and their access to and control over resources and making these as important as prudent financial management in evaluating, rating and supporting MFIs/ microfinance programmes/ intermediaries;
- Ensuring protection of women, who form the largest client segment for microfinance, by instituting appropriate ‘client protection’ and ‘client literacy’ measures through incorporation of these aspects in various laws that govern microfinance.

Figure 6: Gender-Responsive Microfinance Framework



A comprehensive mapping of changes (in microfinance methodology and practices) required across several focus areas is given in Annex 4 and summarised in Figure 6 above. These should enable MFIs/ intermediaries to adopt gender-sensitive practices and thereby enhance the impact of microfinance with regard to empowerment aspects.

7.5 Recommendation 5 – Undertake Research to Support Financing for Gender Equality

The fifth and final recommendation is gender-oriented research with regard to the impact and convenience of microfinance, with a focus on women’s special needs and aspirations. Without this research, which needs to be conducted on an ongoing objective and country-wide/ global basis, it would be very difficult to understand various aspects pertaining to the impact of microfinance on women’s empowerment and the convenience of microfinance for women clients. There are three major components suggested here as a starter’s research agenda, and this could be expanded later as per contextual needs: (1) objective civil society gender audits across Commonwealth countries¹⁵ to understand the real impact of microfinance; (2) examining trade-offs between financial sustainability of MFIs and their focus on gender; and (3) country-wide gender-oriented market research.

8 Conclusion

Microfinance has to undergo a necessary revolution to become gender-responsive – and this means that the nature of the products being offered and the institutions that deliver them will have to change fundamentally. The microfinance industry has to move beyond providing ‘standard credit for small-scale enterprise’ and other basic financial services (some savings and insurance) and offer a wide range of tailor-made financial services (including credit,

¹⁵ In 2004, HIVOS, a Dutch aid organisation, commissioned gender audits with two microfinance institutions in Zambia: Christian Enterprise Trust of Zambia (CETZAM) and PRIDE Zambia.

savings, health insurance, pensions, remittances, etc) that can really empower women and also enable them to reduce their risk and vulnerability. A new set of institutions (corporations, postal/ commercial banks, insurance companies, pension funds, telecom companies, etc) are keen to enter this market and they need to be incentivised to deliver gender-responsive financial services to bottom of pyramid clients.

Together, the diversity of institutions, products and service providers should be very welcome as all of them have great scope to broaden and deepen the outreach of financial services to low-income women in a cost-effective and gender-sensitive manner and thereby contribute to the achievement of the MDGs. All of this calls for various stakeholders – including governments, bilateral and multilateral donors, MFIs, NGOs, civil society and the private sector – to join hands to enable delivery of sound, responsive, affordable and market-oriented (gender-sensitive) financial services tailored to the special and unique needs of low-income women clients, in ways that are advantageous to both the women as well as the institutions. This alone will help the low-income financial services sector rediscover its original and laudable mission of truly empowering women – the most vulnerable among the poor.

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Annex 1: Brief Description of Private Sector Financing (DFID FDCF) Projects¹⁶

DFID FDCF Enterplan Projects	Funding and Leverage	Innovations	Brief Project Description
South Africa Projects			
Cooperative Bank – Franchise Model for Linking Savings and Credit Cooperatives (SACCOS), Kenya	FDCF: £347,010 (37%) Co-op: £581,000 (63%) Leverage Factor: 1.67	The problems associated with the co-operative movement in Kenya – SACCOs operated in an independent, unsupervised and isolated way with no integration of goods and services – need an innovative solution. The franchise model devised by the Cooperative Bank Kenya to overcome telecommunications limitations and improving and extend the reach of the services offered to the poor by SACCOs provides the innovation and should provide the model for other co-operative movements elsewhere.	The project aims to provide largely IT-based, improved, secure, affordable financial services for poor people by integrating the services SACCO FOSAs (front office service activity) offer through a franchising model in which they adopt a homogeneous institutional image. The package includes: deposit accounts; credit facilities; checking accounts; other electronic-based services; credit risk management; check off and salary processing; training of staff on banking operations; and supervision of the FOSA operations.
Malawi Union of Savings and Credit Co-operatives Limited (MUSCCO), Malawi	FDCF: £407,249 (63%); MUSCCO: £237,405 (37%) Leverage Factor: 0.58	The Malawian Central Bank does not allow local financial institutions to use savings when advancing credit to small traders. MUSCCO is introducing SACCOs to urban areas to benefit low-income customers for the first time in Malawi and providing credit facilities for these small businesses.	The project will offer deposit facilities to low- and medium-income groups in towns and rural areas. The beneficiaries are mostly micro-enterprises, low-income employees and small-scale farmers in semi-rural areas. MUSCCO will set up a SACCOs in Lilongwe, Blantyre and Mzuzu to offer services such as savings accounts and time deposits and personal, housing and agricultural loans to entrepreneurs engaged in micro, small to medium enterprises, and to salaried employees of small organisations (such as NGOs) that cannot meet the requirements to establish an organisation-based SACCO. Savings in these SACCOs will be lent to the members and all members will become part owners of the SACCO.
Sociedade de Credito de Mozambique, SARL	FDCF: £1,000,000 (49%);	SOCREMO's innovative business model is already successfully implemented in Latin American countries with	Commercialisation and transformation of SOCREMO into a microfinance bank with a branch network providing loans (enterprise, agriculture, salary and

¹⁶ Adapted from DFID FDCF Enterplan Projects, <http://www.financialdeepening.org>.

DFID FDCF Enterplan Projects	Funding and Leverage	Innovations	Brief Project Description
(SOCREMO), Mozambique	SOCREMO: £2,036,100 (51%) Leverage Factor: 2.04	similar economic problems. If successful, the project will be available to other organisations in Mozambique and throughout Africa.	housing) and saving facilities to low-income individuals, micro-enterprises and smallholder farmers. The project will reach out to people in urban and rural areas, where the proposed financial services are not easily accessible and, once introduced, have the potential to improve employment and livelihoods among poor people.
AON - Affordable Healthcare for Low-income Workers Uganda Limited, Uganda	FDCF: £739,000 (46%); AON: £855,000 (54%) Leverage Factor: 1.16	The scheme is innovative in a number of important ways: <ul style="list-style-type: none"> • It offers affordable health insurance to workers who previously had no access to insurance (premiums range from £2.50 to £7.50 per family per month – less than 8% of family income for those living on US\$1 per person per day) • There is no screening for HIV/AIDS and no discrimination against HIV/AIDS sufferers • Management and control systems are unique and suited to the realities of operating in Uganda • Insurance cover is provided at multiple sites allowing for competition in its provision • The company’s health management and control systems are especially desirable to the insurance and brokerage sector of East Africa, and other elements of the scheme are replicable in countries with similar economies. 	Transformation of an NGO health insurance project (Microcare) into a commercial entity (Microcare Health Ltd) managed by AON Uganda Ltd and delivering health insurance and related services on a large scale throughout Uganda. Specifically it offers: health insurance, management of company health programmes, third party management services and health insurance management and control systems. The target group are the working poor in the informal and formal sectors. This market is not otherwise serviced by health assurance products. In January 2006 AON was awarded £95,000 in additional FDCF funding to roll out the project to Rwanda. After consultation over project issues with the Fund Managers, the extended project will not take place and money advanced for this purpose will be refunded.
Gemini Life Insurance Company (GLICO) – Affordable Insurance, Ghana	FDCF: £139,930 (46%); GLICO: £162,070	GLICO’s affordable insurance scheme is the first in Ghana to specifically target the rural poor. It is one of the first insurance schemes of its type in Africa instituted by a	Delivery of a newly designed insurance product providing cover to some 300,000 people. GLICO, one of Ghana’s principal insurance provider’s, has developed (with CARE support) a policy that offers compulsory life

DFID FDCF Enterplan Projects	Funding and Leverage	Innovations	Brief Project Description
	<p>(54%)</p> <p>Leverage Factor: 1.16</p>	<p>mainstream commercial insurance provider. The policy has been designed to be replicable not only by other insurance providers in Ghana but also by companies throughout Africa.</p>	<p>assurance for the principal policyholder, optional life assurance for spouse and children, and an optional pension element. The project is rolling out in all regions and marketed and delivered initially through 60 rural banks and MFIs and aimed at bank customers, low-income and informal sector households in rural areas, who hitherto have had no access to insurance products. The project is readily capable of replication by other providers in Ghana and similar countries.</p>
<p>K-Rep Group Limited - Health Insurance for Low-Income Customers, Kenya and Tanzania</p>	<p>FDCF: £ 288,380 (41%);</p> <p>K-Rep: £410,907 (59%)</p> <p>Leverage Factor: 1.42</p>	<p>Devising and delivering affordable health insurance for the poor is a challenge – there are few other models in existence and the Nairobi scheme is pioneering. Few middle-income groups in developing countries have access to similar products.</p>	<p>The project combines a network of franchised clinics throughout Nairobi’s deprived areas, affordable health care and medical insurance, and loans to franchisees to upgrade existing clinics, and to patients so they can meet their policy fees.</p>
<p>DFCU Leasing Company Limited, Uganda</p>	<p>FDCF: £ 1,000,000 (49%);</p> <p>DFCU: £ 1,040,000 (51%)</p> <p>Leverage Factor: 1.04</p>	<p>The key to the project’s success is the team of eight trained staff. Uniquely the team is not office bound and is able to spend the time necessary to explain the scheme to clients in the field, providing advice and ensuring smooth running. This helps to guard DFCU against risk and at the same time ensures that the scheme reaches businesses that might, through lack of understanding, not otherwise be able to take advantage. For instance, the team is introducing leasing arrangements for beehives (which involves developing a supply chain from manufacturer to market) to introduce more women, for whom beekeeping is a traditional industry, to the</p>	<p>The project funds leases to the growing numbers of emerging micro and small enterprises from £1,000 up to a maximum value of £25,000 with a lease period of between one and three years. Clients place a deposit of up to 30 per cent of the cost of the leased equipment. The amount of deposit required depends on the perceived risk associated with each lease. Interest rates similarly range from 25-30 per cent per annum.</p>

DFID FDCF Enterplan Projects	Funding and Leverage	Innovations	Brief Project Description
Bank Windhoek Limited – Provision of SME and Community Banking Services to Un-banked Communities, Namibia	FDCF: £ 1,099,897 (31%); Bank Windhoek Limited: £2,438,027 (69%) Leverage Factor: 2.22	<p>scheme.</p> <p>The project extends banking services to people and to regions that have no such provision. The bank has also developed a unique ‘credit scoring model’ to assist in loan decision-making. By demonstrating that it is possible to extend banking service to remote and poor areas, the project should encourage other institutions to follow.</p>	<p>Development of basic financial services to the previously un-banked in remote rural areas comprising four new community branches in the northern and southern regions of Namibia where there are currently no (or only limited) banking services. One additional branch in the northern region will focus on servicing SMEs. Branches will be supplemented by two mobile banking units to further extend services. The main financial products and services will be savings and lending facilities to SMEs, self-help groups and rural communities within the target areas. In January 2006 Bank Windhoek was awarded additional funding of £100,000 for infrastructure, software, equipment and training extend products and services to people in remote areas through the use of mobile phone banking.</p>
BUMACO Limited – Equity for Tanzania Fund to Finance the Start-up and Expansion of SMEs, Tanzania	FDCF: £ 90,304 (55%); BUMACO: £73,948 (45%) Leverage Factor: 0.82	<p>The project innovates by bringing loan funding to SMEs in Tanzania. The fund plugs the gap between existing microfinance loans (too little) and conventional lending by mainstream banks (too expensive). Using and adapting the leasing instrument avoids many of the problems normally associated with financing local businesses and it is expected that the ETF will achieve asset growth over time.</p>	<p>Establishment of an investment fund, the Equity for Tanzania Fund (ETF), with an initial capital of £575,000 providing long-term finance to domestic SMEs – start-ups and growing businesses – for purchase of equipment. Investments will be in the form of leases of £2,000–£20,000. ETF will meet a gap in Tanzania’s financial market between facilities offered by microfinance providers of up to £500 and mainstream banks offering secured loans and (venture) capital funds that invest larger sums as equity. ETF is targeted at SMEs in the agricultural, food processing and manufacturing areas that process domestic primary products.</p>
First Merchant Bank Limited (FMB) – Collaboration Between FMB and FINCA,	FDCF: £703,907 (58%); First Merchant Bank:	<p>The partnership between the FMB and FINCA is strongly innovative in Malawi, representing the first collaboration between commercial capital and</p>	<p>The project aims to create a unique partnership between a leading Malawian bank (FMB) and a successful grassroots MFI (FINCA). By joining their operational and financial expertise, FINCA will be able to serve</p>

DFID FDCF Enterplan Projects	Funding and Leverage	Innovations	Brief Project Description
Malawi	£506,987 (42%) Leverage Factor: 0.72	grassroots microfinance institutions. The business model is simple and capable of widespread replication in Malawi and elsewhere.	more clients in outlying areas, and to broaden the range of services it offers, which already includes group-based village savings and small-scale lending, while bringing FMB's products and services within reach of FINCA clients; and using FMB's capital to extend loans (rather than be reliant on donor or other grant funding). The project will reach out to all the three administrative regions of Malawi. Overall outreach will expand in all of FINCA's areas of operation (existing and new) in 26 of the 28 districts of Malawi. To support this expansion, a new mobile banking infrastructure will be established. FMB was awarded additional FDCF funding of £90,000 to: install satellite communication to cover all FINCA rural outlets that are being established; extend FINCA outlets to accommodate FMB staff and equipment; and purchase computer equipment and software to be used by FMB staff in the rural agencies.
Cavemont, Community Banking to Low- Middle Income Groups, Zambia	FDCF: £285,000 (47%); Cavemont Capital Bank Limited: £327,000 (53%) Leverage Factor: 1.15	The scheme promotes existing financial services in areas where they were previously unavailable. Offering low-cost banking to the low-income population is novel in Zambia and the success of the scheme will encourage similar projects in Zambia and elsewhere.	Provision of affordable banking and other financial services (primarily deposits and payments facilities) delivered through dedicated community based branches to low- to middle-income groups in major towns and cities that are currently not able to use the formal banking system because of limited funds (unable to meet high minimum balances required by mainstream banks), cost constraints, inconvenience or lack of direct access.
CRDB Bank Limited, Tanzania	FDCF: £998,850 (41%); CRDB: £1,414,552 (59%) Leverage	The use of technology to increase access to banking, particularly in remote areas that lack telecommunications, is innovative in Tanzania. The card system is simple and adaptable and alliances with MFIs and other banks prove its flexibility.	Offline debit/ smart card payment system for the domestic market that is also affordable for the majority of poor people, using ATMs, BTTs and point of sale (POS) located at merchant premises throughout Tanzania, and capable of linking with other local banks through a shared switch. Additional applications to include

DFID FDCF Enterplan Projects	Funding and Leverage	Innovations	Brief Project Description
	Factor: 1.42		salary payments through payroll software supported by smart card core application software. Strategic alliances with MFIs will also enable/ facilitate provision of financial services such as savings, fixed deposits, contract accounts, schoolchildren's accounts, micro loans and transfer of funds to disadvantaged poor women living in rural areas. Services provided by MFIs with the help from the bank will in turn support and promote the development of the private sector, SMEs and small-scale farmers. Disadvantaged groups will have access to microcredits and this will, in turn, stimulate economic activities and generate employment.
Teba Bank – POS Franchise Banking Services, South Africa	FDCF: £746,500 (38%); Teba Bank: £1,228,700 (62%) Leverage Factor: 1.64	Although the bank services offered are not innovative, the delivery mechanism is. The technology developed to make the project possible is a first for South Africa and the franchise network is likewise innovative. Despite the unique nature of the service, the equipment is portable and low cost, making the scheme simple to replicate in countries with similar problems.	The project aims to provide affordable and accessible financial services to communities previously denied access, with particular emphasis on rural and peri-urban areas, by means of a POS device, which enables the customer to access a transactional banking account. POS devices will be installed at up to 20,500 retail outlets throughout four key provinces and will be owned and serviced by 22 newly established franchise companies. The primary banking products and services include standard savings and credit accounts, as well as providing the option for state social grants to be deposited directly and safely into customers' bank accounts.
Equity Bank – Cell Distributed Village Banking, Kenya	FDCF: £ 277,550 (62%); Equity: £ 172,600 (38%) Leverage Factor: 0.62	The mobile bank scheme is a first for Kenya and reverses the trend for commercial sector banks to withdraw from rural areas. The development of the project has included creating a sustainable and transferable business model.	The project will provide commercial banking services to more than 20 rural village satellite centres through mobile banking units attached to existing branches. It aims to prove that commercial banking services can be provided to Kenya's rural poor in a profitable and sustainable way, using appropriate information technology. The mobile units serve each area once or twice a week, providing their customers in the remote areas with

DFID FDCF Enterplan Projects	Funding and Leverage	Innovations	Brief Project Description
			<p>financial services like those in the branches, such as banker's cheques, remittance processing, loan applications and many more. This service helps to reduce congestion in the banking halls and increase penetration and profitability. The customers pay the same rates for their transactions and are charged a small fee for the mobile access. The mobile banks consist of an all terrain 4-wheel drive vehicle that is manned by two or three bank employees as well as hired government security forces that meet the customers at the designated market places on the bank days. Once there, they remove the vault, their paperwork and their laptops and serve the customers from satellite offices that have been rented out at the market places. The mobile banks use solar power to run the computerised MIS systems, the printers and the scanners that are used to take photos for the accounts. The mobile banks are in constant communication with the branches via GPS and VHF.</p>
Vodafone Group Services Limited	<p>FDCF: £970,000 (49%);</p> <p>Vodafone: £990,000 (51%)</p> <p>Leverage Factor: 1.02</p>	<p>Apart from innovations in technology, the mobile micro-finance project is encouraging co-operation between organisations that normally do not act together and instituting robust management systems available to MFIs (and which might in the future be required by financial regulators). Vodafone has created a model that is imitable and will soon be available in Tanzania.</p>	<p>The service proposed is a business-to-business connectivity platform (or, solution) for retail financial sector institutions in Kenya and Tanzania that operate over geographically dispersed areas, beyond the reach of fixed line telecommunications infrastructure. The service is intended to improve: provision of business-to-customer services; management and control of branch networks; and sector supervision, by increasing intra-/ inter-organisational transfer of (various) financial data sets across open standards-based networks. Vodafone was awarded £60,000 in additional FDCF funding to assess and test how individual customers can become more comfortable conducting financial transactions across mobile phone networks, particularly users who may</p>

DFID FDCF Enterplan Projects	Funding and Leverage	Innovations	Brief Project Description
			have hitherto had little interaction with mobile phones.
India Projects			
UTI Bank – Crop Finance for Small and Marginal Farmers, India	FDCF: £ 93,083 (13%); UTI: £618,341 (87%) Leverage Factor: 6.64	The project is innovative in its design – the use of farmers’ co-operatives in this way is new in Bhadrachalam district, and in reach – the targeted farmers previously had no access to finance.	UTI bank is aiming to provide crop loans to approximately 2,500 small and marginal farmers in Krishna district and 2,500 in West Godavari District for periods of 12 months. The purpose of the loans is for cropping of sugarcane. The sugar companies will provide assistance in agri-extension activities such as procurement and supply of agri inputs at low costs, supply of good quality seedlings, technical advice in cropping and productivity and training to farmers and will monitor the progress of the cropping. The sugar companies will also buy back from the farmers the harvest produced under the project at the contracted price.
TATA-AIG Life Insurance Company Limited	FDCF: £ 138,267 (57%); TATA-AIG: £104,080 (43%) Leverage Factor: 0.75	Providing insurance in India’s poor rural areas is difficult and expensive – premiums are low and marketing and advertising over such huge areas prohibitive. Tata-Aig’s innovative and successful solution is to hire and equip a van to conduct a road show. A specially commissioned promotional film about the Tata-Aig scheme is screened between popular movies.	Provision of life, credit term and children’s education insurance products that act as long-term savings facilities, which can be realised either on maturity or death, to 25,000 customers over three years, covering all eligible adult family members, or at least one adult per family. TATA-AIG was awarded additional FDCF funding of £48,767 in January 2006 to scale up operations (under new, more flexible micro-insurance regulations), enhance controls and improve front-end processes (cash collection and receipting).
Reliance Life Insurance Company (Formerly, AMP Sanmar Assurance Company)	FDCF: £97,437 (36%); Reliance: £176,023 (64%) Leverage Factor: 1.81	People in the isolated rural areas of Southern India have no access to financial institutions and insurance companies. AMP’s innovative solution is to provide products that are tailored to suit the market and that are affordable and understandable.	Development and delivery of three life insurance products – endowment, term and whole life – that are targeted at the semi commercial rural sector comprised of small- and medium-scale farmers, village craftsmen and artisans, and labourers working in cottage industries so as to benefit them in terms of savings, protection and enabling micro credit provision. Products are affordable, offering low premiums, low sum assured and additional benefit

DFID FDCF Enterplan Projects	Funding and Leverage	Innovations	Brief Project Description
			<p>clauses (double accident cover and critical illness cover) in four districts of Andhra Pradesh. Further, the project also seeks to employ rural youth under the Chief Minister's Rural Employment scheme in creating awareness about insurance and increase penetration levels. To this extent, the project creates employment opportunities for the unemployed rural youth.</p>
Megatop Insurance Services Limited	<p>FDCF: £852,210 (53%);</p> <p>Megatop: £765,482 (47%)</p> <p>Leverage Factor: 0.90</p>	<p>Providing insurance in India's rural areas is expensive, individual premiums are low and the volume of business is of paramount importance. Megatop have innovated by using the previously neglected and fast-expanding internet provision to sell their product to some of the poorest and most isolated farming communities in India.</p>	<p>The project will develop and deliver a range of insurance products such as endowment, term and pension policies to afford protection and provide avenues for savings. The target customers are marginal small, medium and large farmers from 9,000 villages in Andhra Pradesh and Madhya Pradesh with a primary focus on remote villages. Megatop was awarded additional FDCF funding of £122,925 in January 2006 to offer credit and investment products, in addition to insurance products, through the e-choupal network.</p>
Pakistan Projects			
Crescent Standard Investment Bank Limited	<p>FDCF: £1,000,000 (29%);</p> <p>CSIBL: £2,461,654 (71%)</p> <p>Leverage Factor: 2.46</p>	<p>As in similar economies, SMEs in Pakistan find it difficult to find lenders. These businesses are considered too great a risk for the financial sector and growth is constrained by the lack of access to financial institutions. The Crescent Standard Investment Bank is innovating by providing an appropriate investment tool that allows small businesses to grow, and it has raised awareness of this scheme across the country.</p>	<p>The project will lease small-scale machinery/ equipment to be used for industrial and agricultural purposes for a period of three years, with a maximum lease size of £27,000. The target group is SMEs that do not have access to existing services offered by the financial sector in Pakistan.</p>
Standard Chartered (formerly) Union Bank Limited	<p>FDCF: £ 900,000 (40%);</p> <p>Union:</p>	<p>The project will channel small farmers away from informal sources of finance (and poor quality inputs) towards mainstream banking services. With 70 per cent of the</p>	<p>This project seeks to contribute toward the rural economy of Pakistan through a credit card-based financing scheme, in collaboration with farm input companies, that enables small farmers to purchase high certified quality crop</p>

DFID FDCF Enterplan Projects	Funding and Leverage	Innovations	Brief Project Description
	<p>£1,366,000 (60%)</p> <p>Leverage Factor: 1.52</p>	<p>population linked to the rural/ agricultural sector, the project has significant replication potential.</p>	<p>inputs at affordable prices, leading to improved crop yields and incomes. Union Bank was awarded £100,000 in additional funding in January 2006 to expand operations considerably and move into new areas during the final 18 months of the project period; and exceed project targets by some margin at the start of a period of rapid expansion. Funds will be spent on associated operating costs. At the same time, UNBL plans to increase per acre lending amounts to become the primary lender and introduce individual cardholders (supported by guarantees) on a pilot basis to accelerate uptake. These developments will be funded by the bank, including loanable funds.</p>
Global Projects			
<p>Deutsche Bank Trust Company, Americas</p>	<p>FDCF: £819,672 (36%);</p> <p>Deutsche: £1,471,486 (64%)</p> <p>Leverage Factor: 1.80</p>	<p>The Facility is strongly innovative, being the first attempt to develop a commercial asset class of this nature, even though supported by loss protection. In addition, the innovative method of working through local commercial banks directly encourages them to adopt a more positive outlook toward pro-poor financial services development. The structure of the Facility is simple and capable of replication, either with further FDCF style funding or, as success is achieved, from solely commercial sources with increasingly limited loss protection.</p>	<p>Commercial Microfinance Facility capitalised at £33 million that will invest in the microfinance sector in Africa, South Asia and Latin America by providing a range of demand-driven, risk-sharing debt instruments to local commercial financial institutions, which in turn will invest in the MFIs. Instruments include co-lending mechanisms, loans, deposit structures, guarantees, letters of credit, credit default swaps, subordinated loans and other financing structures in the range of \$0.5-2.5 million and limited to a maximum of 80 per cent of any deal. The Facility is structured as a limited liability company offering a commercial return to investors supported by first-loss cushions.</p>
<p>Stichting to Promote Women's World Banking</p>	<p>FDCF: £210,000 (50%);</p> <p>WWB: £210,000 (50%)</p>	<p>Innovation and replication are of secondary importance for enabling environment (EE) projects. Nevertheless, both projects are well capable of being replicated. The East Africa initiative has a built in</p>	<p>Two projects to enhance the enabling environment for pro-poor finance: in India through a programme to enhance outreach of commercial bank finance to the poor; and in East Africa through a programme that seeks to improve the emerging legislative and regulatory</p>

DFID FDCF Enterplan Projects	Funding and Leverage	Innovations	Brief Project Description
	Leverage Factor: 1.00	replication component through the capacity building of MFI associations in advocacy. The India initiative offers a new and innovative approach to what has been a difficult problem to tackle to date. Limiting the work to a small number of new and emerging private sector banks in that country and working intensively with their management offers a good chance of achieving a breakthrough.	framework for MFIs that contributes positively to their growth and development as financial institutions.

Annex 2: Safaricom and Vodafone Launch M-PESA, A New Mobile Payment Service

PRESS RELEASE, 13 February 2007: Safaricom, the leading mobile communications provider in Kenya, is pleased to announce the launch of M-PESA, an innovative new mobile payment solution that enables customers to complete simple financial transactions by mobile phone. M-PESA has been developed by Vodafone, the world's leading mobile telecommunications group, with the pilot in Kenya operated by Safaricom.

M-PESA is aimed at mobile customers who do not have a bank account, typically because they do not have access to a bank or because they do not have sufficient income to justify a bank account. All they need to do is register at an authorised M-PESA Agent by providing their Safaricom mobile number and their identification card. Once registered, customers can:

- Put money into their account by depositing cash at a local Agent
- Send money to other mobile phone users by SMS instruction, even if they are not Safaricom subscribers.
- Withdraw cash at a local Agent
- Buy Safaricom airtime for themselves or other subscribers.

Only Safaricom subscribers can send M-PESA, but anyone who can receive an SMS can receive money by M-PESA. Customers do not need to have a bank account to benefit from M-PESA services.

Cash is paid into M-PESA and withdrawn at M-PESA Agent outlets. These outlets are typically local Safaricom Dealers, but can also be other kinds of retailers such as petrol stations, supermarkets and local shops. There is currently a large network of M-PESA Agents across Kenya who have been trained to use the service. It is planned to grow this network significantly in the coming months.

The M-PESA service was originally created as a pilot funded jointly by Vodafone and the UK Department for International Development [DFID] Financial Deepening Challenge Fund. The pilot ran for over 6 months in Kenya from October 2005 in partnership with Faulu Kenya, a local Micro-finance Institution.

Michael Joseph, CEO of Safaricom, said: 'Safaricom and Vodafone's M-PESA mobile money transfer service is an example of Kenya leading the way in the advancement of mobile technology and its uses. Following the very positive response by consumers to the pilot, we believe that there is a great deal to be gained for Kenyan consumers as well as for mobile and financial sector companies.'

Gavin Darby, CEO Non European Affiliates at Vodafone, added: 'Now we have officially launched M-PESA in Kenya, we look forward to taking the service international. Our announcement yesterday of Vodafone's international money remittance venture with Citigroup, to assist migrant workers send money home conveniently and safely using mobile technology, would not be possible without the Kenya trials which have led to the successful launch of M-PESA.'

Source: Vodafone Web Site.

Annex 3: New Technology Introduced for Delivery of Financial Services to Low-Income Women (Some of Which May Call for Training)

Innovation	Description	Examples
Mobile phone payments	Cell phones become electronic wallets, using SMS technology	<ol style="list-style-type: none"> 1. Kenya: <i>M-Pesa</i> has partnered with <i>Vodafone, Faulu-Kenya</i> (local MFI), and <i>CBA</i> (local bank). The M-PESA system supports money transfers, cash withdrawal and deposits at retail outlets, and disbursement and payment of loans. This is being commercialised in Kenya and other countries 2. South Africa: the <i>Wizzit</i> banking facility allows low-income women and other account holders to use their mobile phones to remit money to a friend, buy airtime or pay accounts. 3. Philippines: <i>Globe Communications</i> and <i>SMART</i> have introduced cell phones to store and transfer electronic cash for payments. Being introduced to <i>Rural Bankers' Association of Philippines</i>. 4. Latin America: <i>Motorola</i> recently unveiled M-Wallet, a downloadable software application that allows users – low-income women and other low-income clients – to pay bills, purchase products and/or transfer money using their cell phones. The company is targeting the remittance market between the USA and Latin America.
Electronic payment systems	Deposits and withdrawals through plastic cards at ATM machines and at participating merchants. Debit, credit and prepaid cards	<ol style="list-style-type: none"> 1. Guatemala: <i>FINCA</i> and <i>VISA</i> are piloting the use of pre-paid cards for loan disbursements by partnering <i>FINCA Guatemala</i> and <i>Nicaragua</i> with <i>VISA</i> member banks. 2. Peru: <i>Mibanco</i> has become a <i>VISA</i> member bank, and has introduced <i>VISA</i> products including <i>Miahorro</i> (a savings account with debit card), a <i>VISA</i> <i>Empresarial</i> card that can be used at ATMs and a credit card, all launched in 2006.
Point of sale devices (POS)	Installed at local retailers, allow clients to make withdrawals and deposits closer to home	<ol style="list-style-type: none"> 1. India: <i>Tata AIG</i> is conducting a pilot involving <i>CRIG</i> Agents for POS insurance premium collection. 2. ICICI and SEWA Bank are conducting a pilot whereby loan officers use POS devices at group meetings for low-income women. 3. Citibank is using bio-metric ATMs for rural women to make savings using <i>Business Correspondent/ Business Finance Channel</i>. 4. Uganda: <i>Uganda Micro-finance Limited</i> is piloting the use of POS devices to extend rural outreach, especially women. 5. Colombia: 45 co-operatives with different core banking systems are using a single POS solution.

Adapted¹⁷ from Rhyne and Otero, 2006.

¹⁷ Cited from other papers prepared by Ramesh S Arunachalam.

Annex 4: Overcoming Challenges of Financing for Gender Equality

Focus Areas	What Should Microfinance and Other Stakeholders Do?
GOVERNANCE	<ul style="list-style-type: none"> • Gender-sensitive governance needs to be incorporated in MFIs/ intermediaries involved in microfinance • This whole area is at a very nascent stage for MFIs, which need to strengthen their governance mechanisms and inculcate professionalism in their overall governance structures
Board – its roles, responsibilities and functioning	<ul style="list-style-type: none"> • Larger number of independent women directors on boards of MFIs/ intermediaries • Gender-sensitive board roles and functioning • Governments must encourage this through appropriate incentives including regulation
Legal aspects – appropriate legal form, legal compliance, laws and regulatory requirements	<ul style="list-style-type: none"> • Legal constraints that prevent women-oriented organisations being established need to be identified and removed • Legal hurdles for delivering financial service to poor women must be identified and eliminated
Vision/ mission – its development and percolation within the organisation	<ul style="list-style-type: none"> • Possible mission drift, away from women’s empowerment/ poverty alleviation • More MFIs are serving not-so-poor clients • Gender gap and action taken analysis must become part of mandatory reporting (data) for MFIs/ intermediaries and also integrated into the strategic business planning process • Commitment to reducing the gender gap must become a part of the vision/ mission for MFIs/ intermediaries • Govts must encourage this through appropriate incentives including regulation
Leadership styles for senior management (at each level) and distribution of power and decision-making authority among senior management	<ul style="list-style-type: none"> • Qualified women professionals are in great demand, and hence this aspect of inducting women professionals requires to be incentivised by governments, donors, commercial banks and suppliers • Greater role for women professionals in senior management of MFI/ intermediaries should also be ensured through appropriate incentives
MANAGEMENT PRACTICES	<ul style="list-style-type: none"> • Management practices and systems need to gender-sensitive • With burgeoning growth, practices and systems are being severely tested and will have to be re-designed/ strengthened, especially for catering to women’s needs and also for protecting them as clients
Organisational structure including lines of authority and responsibility	<ul style="list-style-type: none"> • For several levels within MFIs, responsibility needs to be accompanied by commensurate growth in authority for women professionals • More field level women specialists are required. • Gender sensitisation is a must for field level staff and special incentives may have to be provided by governments/ donors

Focus Areas	What Should Microfinance and Other Stakeholders Do?
Implementation of various general systems and policies ¹⁸	<ul style="list-style-type: none"> • Systems need to be gender-sensitive, especially after recent crisis in several places (e.g. India) • With burgeoning growth, systems are being severely tested and will have to be re-designed/ strengthened, specially for catering to women's needs and also for protecting them as clients
Strategic and business planning – formulation and implementation of plan	<ul style="list-style-type: none"> • Must incorporate gender gap analysis and action taken on the same and this must feed back into the planning process.
Monitoring and feedback mechanisms including listening to clients	<ul style="list-style-type: none"> • With growing competition, MFIs are competing for the top clients (whether poorest or good borrowers), and most of these are women • In the long run, as the experience in pockets where there is intense competition suggests, MFIs will have to be client led and institutionalise feedback mechanisms from women clients; also, this information must loop back to inform design of product and delivery mechanisms • This aspect needs attention with regard to gender in a significant manner as women are the topmost clients in terms of repayment and other aspects • Customer protection issues also require attention, especially after crises with regard to treatment of women clients in many contexts (e.g. Andhra Pradesh in India)
Administrative procedures and operational manuals	<ul style="list-style-type: none"> • With increased competition, there is an implicit search for efficiency by even the mature MFIs, who also need to have standardised, gender-sensitive and well-documented procedures to grow faster and also serve women clients better • Therefore, significant streamlining of these, using process mapping, is necessary and should incorporate gender sensitivity, efficiency and risk mitigation mechanisms • Transparency in systems/ procedures, especially for gender sensitivity is also critical
Risk management systems ¹⁹	<ul style="list-style-type: none"> • The preparation for adoption of Basel II may result in exclusion of low-income women and that has to be looked into by governments and central banks
MIS (management information systems)	<ul style="list-style-type: none"> • MIS is still at its infancy and there is a widespread recognition of the fact that a best practices MIS capable of handling large volumes of clients/ records needs to be in place for reasons of MFI accountability and transparency as well as to effectively satisfy growth and regulatory requirements • That MIS remains a concern still reflects the actual nascent state of the microfinance industry and this is the best time to integrate gender into the MIS • The MIS should include aspects of gender gap analysis, and all data in the MIS should be disaggregatable by gender and poverty levels

¹⁸ Examples of systems and policies include: finance and accounting system, delinquency management system, loan portfolio management system and the like. Examples of policies include: credit management policy, delinquency policy, internal control policy and the like.

¹⁹ Organisational failure and handling abuses and other risks.

Focus Areas	What Should Microfinance and Other Stakeholders Do?
HUMAN RESOURCES MANAGEMENT	<ul style="list-style-type: none"> • Human resource development (HRD) aspects require significant attention from all MFIs, as do streamlining workflows, especially from a gender perspective • Given the burgeoning growth of the microfinance sector, HRD along with appraisals and incentive systems are likely to be key differentiators of MFI success in this era of intense competition and these need to be gender-sensitive • There is a critical need for qualified women as senior management, operational staff and field staff, with requisite development and field experience
Human resources development – staffing, job descriptions and positions and personnel administration and management –recruitment and employment systems ²⁰	<ul style="list-style-type: none"> • Enhancing staff accountability and job effectiveness/ efficiency, especially in view of the burgeoning growth, is very critical, and hence professionalising HRD is critical to attract quality women staff and retain them • There is a critical need for qualified women as senior management, operational staff and field staff, with requisite development and field experience
Performance-based appraisals and promotions and rewards (incentive schemes)	<ul style="list-style-type: none"> • Even in transformed/ mature MFIs, staffing systems are not necessarily the best – hence, performance-based appraisals backed by appropriate gender-sensitive promotions and rewards are very critical • There is a critical need for simple and effective incentive systems in which appropriate gender measures are used as a criterion for evaluation
Workflow organisation	<ul style="list-style-type: none"> • With increasing competition and concern for cost reduction as well as growing risk mitigation, this is a critical area for all MFIs • While some MFIs are already getting involved in process mapping, the level of expertise available in the sector is still nascent • Workflow certainly needs to be streamlined and made more efficient and also designed in such a way that key risks are mitigated and effectively managed • Most importantly, efficiency, gender and risk mitigation-oriented process mapping is very critical and MFIs need to have efficient, gender-sensitive and transparent processes. • The performance imperative tends to get MFIs to focus on best practices, often ignoring gender requirements.
FINANCIAL RESOURCES MANAGEMENT	<ul style="list-style-type: none"> • Incorporation of financial systems suitable and non-intimidating to women field workers/ clients is a very critical aspect here
Basic financial and accounting systems ²¹	<ul style="list-style-type: none"> • Transparency of financial systems also needs attention – these are the foundations for transparent and effective/ efficient microfinance operations and need to be as per best practices, including sensitivity to gender aspects
Internal audit systems and procedures	<ul style="list-style-type: none"> • Internal audit processes, reports and action taken must be sensitive to needs of women as clients and field staff
Internal accounting control mechanisms and related aspects	<ul style="list-style-type: none"> • Internal accounting control processes, reports and action taken must be sensitive to needs of women as clients and staff

²⁰ Would include related aspects like service rules, recourse procedures, etc.

²¹ Including maintenance of key records like receipts, vouchers, books and related systems.

Focus Areas	What Should Microfinance and Other Stakeholders Do?
MICROFINANCE PROGRAMME DESIGN	<ul style="list-style-type: none"> • There is a need to introduce gender-sensitive products and processes • A range of products are demanded by women and need to be offered by MFIs/ microfinance programmes • Also, delivery mechanisms need to be re-oriented to suit women’s needs
Product design and prototype (service) development	<ul style="list-style-type: none"> • Women-oriented products are now very much needed, especially with increased competition. • Health insurance, pensions and livelihoods financing are in great demand • There is a need to help test, refine and roll out these gender-sensitive products
Design of delivery mechanisms and their subsequent piloting and rollout	<ul style="list-style-type: none"> • Gender-sensitive delivery mechanisms are required, especially using technology to reduce the ‘cash carrying insecurity’ for women in remote areas
Sustainable pricing of microfinance services ²²	<ul style="list-style-type: none"> • Given the search for efficiency competition and regulatory concerns, sustainable but affordable pricing of MFI products is required • Delivery mechanisms that enhance transaction costs significantly for low-income women must be phased out or re-engineered • Flexible pricing that is convenient to women and their cash flows is very critical
Client preparation and training ²³	<ul style="list-style-type: none"> • Gender rights and consciousness are very critical and must be implemented as part of initial training and preparation • Client protection issues also need attention from the perspective of women
MICROFINANCE PROGRAMME PERFORMANCE²⁴	<ul style="list-style-type: none"> • Gender gap and gender-sensitivity indicators must be incorporated with standards/ benchmarks of performance • Training must be given on methods/ tools for such analysis • Basic gender gap data must be reported for baseline use in different contexts
Microfinance indicators and ratios and microfinance standards and benchmarking ²⁵	<ul style="list-style-type: none"> • Gender gap and gender-sensitivity indicators must be incorporated with standards/ benchmarks. • Training must be given on methods/ tools for such analysis • Basic gender gap data must be reported, and action taken by MFIs in this regard also ascertained • Transparency of MIS in calculating these indicators is critical
Self-sufficiency and profitability analysis	<ul style="list-style-type: none"> • Important to look at organisation and impact sustainability, as part of self-sufficiency analysis that would incorporate/ include indicators pertaining to gender issues.
GROWTH AND SUSTAINABILITY	<ul style="list-style-type: none"> • Enhancing presence of women staff is very critical in MFIs –at senior management, operational and field level • Gender analysis skills must also be transferred to all staff

²² Including pricing strategy, methods, analysis of competitor pricing and the like.

²³ Including modules, methods and related aspects.

²⁴ This would include conceptual definitions, measurement aspects, data retrieval issues and empirical aspects.

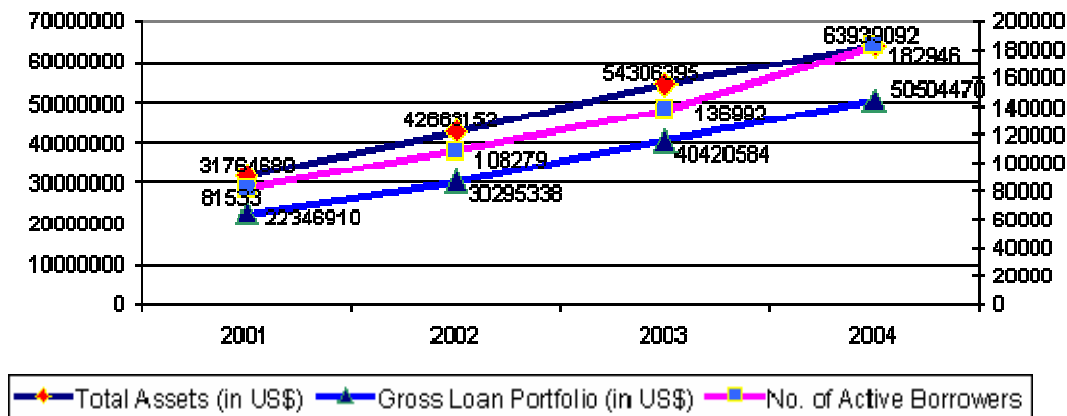
²⁵ In terms of standard definitions, benchmark values and related aspects.

Focus Areas	What Should Microfinance and Other Stakeholders Do?
Organisational sustainability ²⁶	<ul style="list-style-type: none"> • Skills transfer to ensure self-management in the long term requires strengthening for all types of MFIs • 2nd line management skills need to be transferred – especially for women – and data on this reported
Managing growth	<ul style="list-style-type: none"> • Ensuring minimum level of representation of women staff is very critical – at senior management operational and field level • Gender analysis skills must also be transferred to all staff
Political insulation of MFIs/ microfinance programmes	<ul style="list-style-type: none"> • This is very critical as government is an important stakeholder and the bureaucracy needs to be sensitised as well • Governments, while ensuring this, also need to protect women clients from potentially deceptive and abusive practices in the field
Micro-insurance	<ul style="list-style-type: none"> • Very important in a growing market as clients’ risks and vulnerability continue to remain in focus – this is especially true for low-income women • Microfinance needs to embrace voluntary micro-insurance including health, asset, crop and weather insurance – health/ asset are especially critical for women • While pilots are available as demonstration in some contexts, these have to be rolled out to sufficient scale
E banking solutions	<ul style="list-style-type: none"> • This aspect is very critical given the search for lowering delivery/ transactions costs and having a low-cost retail model • Technologies have to be adapted to the needs of low-income women, piloted, refined and rolled out

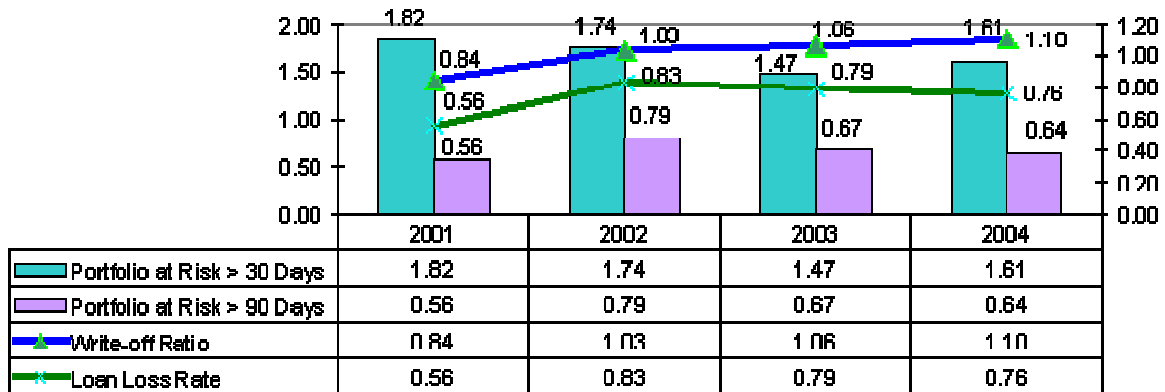
²⁶ Aspects related to long-term continuity, skills transfer for self management and institution building.

Annex 5: Key Microfinance Growth and Performance Data

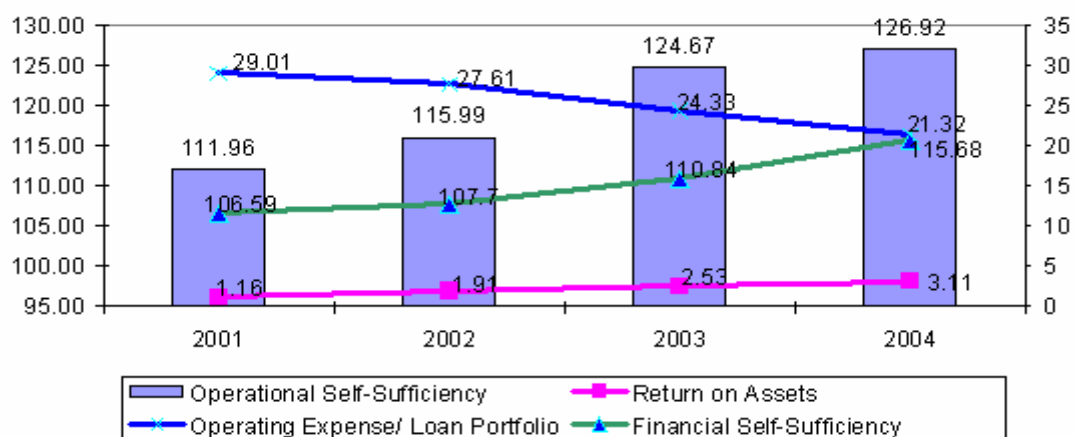
Outreach of MFIs (2001-2004)²⁷



Portfolio Quality of Microfinance Programmes/ MFIs (2001-2004)²⁸



Financial Performance of Microfinance Programmes/ MFIs (2001-2004)²⁹



²⁷ Compiled from Mix Market Data (2007).

²⁸ Compiled from Mix Market Data (2007).

²⁹ Compiled from Mix Market Data (2007).

Annex 6 – Key Elements of Gender-Sensitive Governance Processes

The following practices should be viewed as critical elements of any gender-sensitive governance process:

- Establishing strategic objectives and a set of gender-sensitive corporate values (including commitment to reducing gender gaps) that are communicated throughout the organisation.
- Setting and enforcing clear lines of responsibility and accountability throughout the organisation, with adequate sensitivity to gender aspects
- Ensuring that board members are qualified for their positions (with adequate representation for women), have a clear understanding of their role in gender-sensitive corporate governance and are not subject to undue influence from management or outside concerns.
- Ensuring that there is appropriate oversight by senior management with regard to reducing gender gaps.
- Ensuring that compensation approaches are consistent with the institutions' ethical values, objectives, strategy and control environment including parity on gender aspects.
- Conducting gender-sensitive corporate governance in a transparent manner. Transparency can reinforce sound corporate governance. Therefore, public disclosure is desirable in the following areas:
 - a) Board structure (size, membership, number of women directors, qualifications and committees);
 - b) Senior management structure (responsibilities, reporting lines, qualifications and experience and number of women in senior management);
 - c) Basic organisational structure (line of business structure, legal entity structure);
 - d) Information about the incentive structure (remuneration policies, executive compensation, bonuses, stock options, etc);
 - e) Nature and extent of transactions with affiliates and related parties.³⁰

³⁰For example, the International Accounting Standards Committee defines related parties as 'those able to control or exercise significant influence. Such relationships include: (1) parent-subsidiary relationships; (2) entities under common control; (3) associates; (4) individuals who, through ownership, have significant influence over the enterprise and close members of their families; and (5) key management personnel'. The IASC expects that disclosures in this area should include. (a) the nature of relationships where control exists, even if there were no transactions between the related parties; and (b) the nature and amount of transactions with related parties, grouped as appropriate (IASC International Accounting Standard No. 24, *Related Party Disclosures*).