



International Foundation of Alternative Financial Institutions

INAFI INTERNATIONAL
STRATEGIC PLAN AND CORE PROGRAM
2008 – 2010

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1. HISTORY AND CONTEXT

1.1. Origin and Structure

The International Network of Alternative Financial Institutions (INAFI) was established in Cusco, Peru, in March 1995, as a global network of practitioner microfinance institutions by 25 non-governmental organizations (NGOs) that became the first member organizations (MOs). Today INAFI counts 311 member organizations (including networks) from 47 countries. Together they serve over 25 million clients with a combined portfolio of USD 750 million in credit and 350 million in savings.

Originally all member organizations were part of the same institution that was founded under Peruvian law in 1995. With the growth of membership it was decided in 1998 to regionalize INAFI. Since, the main organizational basis is a regional one with INAFI established in Latin America, Africa and Asia. Each of the regional INAFIs has its own General Assembly that elects the regional Boards, which in turn appoint the regional secretariats. In 2002 the three regional INAFIs together founded the INAFI International Foundation in the Netherlands to facilitate global fund-raising. The international secretariat is based in Dakar, Senegal since 2005, and is primarily responsible of the network’s advocacy and research and development, next to global fund-raising coordination. To that end it maintains a liaison office in the Netherlands.

TABLE 1: INAFI MEMBERSHIP AND OUTREACH			
Continents	Member MFIs	Countries of origin	Clients served
Africa	50	24	4,091,000
Asia	69	6	20,480,000
Latin America	191(i.e 29 MOs)	17	2,138,000
Total	310	47	26,709,000

Regional secretariats are located in Nairobi, Kenya, San Jose, Costa Rica, and Dhaka, Bangladesh. The Asian region moreover has four country level networks with secretariats in Madurai, India; Katmandu, Nepal; Dhaka, Bangladesh, and Manila, Philippines.

1.2 Strategy and Program Focus

The strategy of INAFI is to act as a global, regional and country specific network organization where the global office acts as an umbrella structure with the main responsibility for advocacy and research on global issues, where the regional offices take up regional (continental) issues and where country chapters focus on country specific issues.

Over the years INAFI due to its successful operations has created a niche in the worldwide development sector as a *Voice of the South* in microfinance. INAFI provides a common platform primarily to share knowledge and experience on best practices that are being used to alleviating poverty in Asia, Africa, and Latin America. Increasingly INAFI has engaged in training for human resource development and financial product development research, participated in international and national conferences on major development issues that benefit the poor, and conducted advocacy and lobby activities to present pro-poor views from the South. The network believes in alleviating poverty, impacting social and economic

development and achieving sustainability of the MFI as well as its clients, the recipients of financial and non-financial services.

There are different emphases applied in regional programs due to different priority setting by the poor in their respective regions. INAFI Asia leads the network's activities in the areas of microinsurance, gender balance (with focus on the WEMAN Project in partnership with INAFI Latin America) and the MDGs programme; INAFI Africa leads in food security and rural finance and in HIV/Aids issues; and INAFI Latin America, in collaboration with INAFI Asia /Philippines, leads the works on migration and remittance in relation to microfinance. At the same time it is looking at new areas of concern such as fair trade.

During the last years INAFI developed a tool to measure social impact in microfinance: the SIM tool. The coming program period will see the roll-out of this tool among INAFI member organizations and beyond. INAFI also participated in a major gender mainstreaming program (WEMAN) and this will be continued in the form of a new project.

1.3. Governance, Work Process and Resources

As stated the larger INAFI network consists of various legal entities that all have their own membership and governance structures. Regional members are in charge of the regional INAFI organizations (which are membership-based trusts or equivalents¹) whereas the three regional INAFIs are the only three members of the INAFI International Foundation. The International Board has six members, two per continent, and elected for a three years term by their own respective regional INAFIs. The position of the Chair rotates over the continents every two terms like in the past programmes.

It is important to note that the member organizations own and control the network, which is appropriate as they want INAFI to act on their behalf on particular issues of mutual concern. This is not a reciprocal relationship. INAFI has no say, whatsoever, over its member organizations and is not in the position to interfere in members' affairs in any way as the members have their own respective governance structures.

As regards the work process, major management, programmatic, and strategic decisions are taken at two levels: regional INAFIs and INAFI International. Regional decisions are later endorsed by INAFI International on a needs basis, for instance when regional projects are consolidated in international programs and budgets. The country chapters and regional INAFIs with their respective governing bodies and staff members raise funds in addition to the funds received from the international secretariat for the global programme in order to support specific activities and the region's administration and implement programs to achieve the mission of INAFI. The international secretariat acts as coordinating body and has started coordinating more formally and raising funds since 2005 to implement projects globally. Between 2000 and 2003, the INAFI network worked to raise funds, in order to establish formal regional offices with independent autonomous secretariats and professional management staff.

The international programs are coordinated and governed by the international secretariat in

¹ INAFI Asia is essentially composed of the four country INAFIs plus direct members from Sri Lanka and Pakistan.

Dakar. Regional networks are responsible for the implementation of region-specific programs, based on their expertise and experience, and specifically aimed at linking and learning on the international level, outside their own region. Each of these entities is committed to contributing to the overall implementation of programs including assessment, management systems, database management, etc. To this end, the international secretariat has developed Memorandum of Understanding (MoU) with each of the regional chapters outlining respective roles and responsibilities.

Over the years INAFI most resources were funded by Oxfam-Novib and the Dutch Government, significantly during the years 2003-2006. INAFI International was the project holder for the INAFI Core Programme 2003 to 2006 funded by Novib. Additional resources were made available in 2007 from Oxfam-Novib for a specific extension project. Other donors are Hivos, Ford Foundation, Stromme Foundation, Rabobank Islamic Development Bank, Government of Benin, and national donors. Another important source of funds is member organizations' contributions at regional level. Each regional INAFI has own budget, managed independently by each region, according to the guidelines adopted and endorsed by respective Boards. Member organizations will be charged a participation fee in case of program that are of direct benefit to them

1.4 Context and Purpose of this Strategic Plan and Proposal

Although INAFI has been active for about 12 years since its inception, the period 2003-2006 has been the most intensive and effective in terms of program activities, national and international visibility, recognition by national and global stakeholders, organizational (re)structuring, and coordination among national, regional and international secretariats. It has enhanced understanding of national and global poverty issues, challenges and necessary responses from INAFI and MFIs. INAFI International plans to consolidate the experiences gained and lessons learned to develop more effective responses to face the challenges of poverty and to contribute to the reduction of poverty as stated in the Millennium Development Goals (MDGs) with their focus on extreme poverty. The strategic plan outlined in this document presents INAFI's current thinking and focus for the next three years (2008-2010) to play a complementary role to global efforts to reduce poverty, injustice and discrimination, and to enhance food security and poor people's access to affordable, appropriate and accessible financial services.

This document does not include all projects and initiatives the network will undertake and raise funds for in the coming years as some of these will be presented separately to identify donors only. It rather outlines the network's strategic directions that will guide all INAFIs and will present all program components that will be covered by INAFI's Core Program for which core funding is sought.

2. POVERTY AND MICROFINANCE: INAFI's PERSPECTIVE

2.1 Impact of Microfinance

Microfinance programs as currently being implemented in many countries in the world have progressed through several decades of evolution to gradually become more flexible and demand-driven. Many formal impact studies, indirect anecdotal evidences, and interviews of the clients report that microfinance:

- Enhances income of the poor families leading to improved food security and increased expenditures on other household activities such as clothing, education, water and sanitation etc. to improve the quality of life;
- Enhances assets of the poor in the form of land, better housing, livestock, business capital etc. when the clients continue over a period of several years to successfully invest credit in income enhancing activities;
- Provides access to savings service for emergency use and for long-term capital build-up;
- Gives opportunity to poor women, though not automatically, to participate in social and economic activities leading to greater recognition of women's rights and empowerment. Micro-level studies show that many women clients have been able to start participating in local level political and public life; and
- Improves, though at limited scale, skills and social awareness of large number of poor women due to their participation in microfinance programs, which also come with many skills and awareness development activities.

INAFI recognizes the above impacts and works to enhance the impacts and make them sustainable so that clients, especially the poor women and their families, permanently come out of poverty and lead a dignified life. The recognition of very positive and complementary roles of microfinance in poverty reduction have been built-in the core values of INAFI.

2.2 Core Values of INAFI

Besides the name of the network, INAFI through elaborate consultations has developed core values to reflect its views and vision on microfinance and poverty:

- **I - Inclusiveness:** INAFI recognizes that microfinance services are tools for social and economic development and advances holistic development approaches that are poverty focused, diversified, and directed towards empowering the poor.
- **N - Native/Indigenous:** INAFI believes that the poor are not homogeneous and their needs vary from geographical, cultural, ethnicity, and tribal environment. The socio-economic and cultural norms and practices of the poor should be valued in undertaking any development initiatives.
- **A - Alternative:** INAFI conceives microfinance services as 'alternative' 'development financing' where a key feature is its focus on social and human development along with financial and economic development. INAFI considers itself as alternative in that its members are practitioners from the South, are of diverse size, represent various legal frameworks, and offer a diverse array of financial products and delivery methodologies while striving to tailor them to meet the varying needs of the poor. It also believes in microfinance as a powerful instrument for poverty alleviation if associated with social development initiatives.

- **F - Facilitating/Enabling:** INAFI emphasizes the facilitation of exchange of information and knowledge among practitioners, donors and policy makers to create an enabling and conducive environment for developing effective pro-poor microfinance policies. It also recognizes the importance of influencing the strategic direction by facilitating and promoting good and best practices in the industry. INAFI encourages MFIs, development NGOs, donors, and policy makers to advance a social agenda along with microfinance by undertaking research, capacity building and advocacy initiatives.
- **I - Innovations:** INAFI believes that poor people are capable of taking responsibility for their own development and their potentials need to be explored through engaging them in innovative programs. Innovative financial products and services that are pro-poor, tailor-made, and viable should be devised and offered. Innovation is important for two different levels: demand-driven, diversified and flexible financial products and delivery systems to fit clients' changing realities and livelihood strategies; and institutional systems for microfinance practitioners that does not hamper rather enhances their ability to meet the needs of their current and potential clients.

INAFI's development priorities and guiding principles are reflected in the 'Thirteen Charters for Microfinance' adopted in the 4th International Assembly, Mombassa, Kenya 2002 (Annex 1) and reiterated in the Conference Declaration of INAFI International Conference on Microfinance and Millennium Development Goals 2007, 12 – 13 March 2007, Bangkok, Thailand (Annex 2).

2.3 INAFI's stake on Alternative Institutions

The INAFI network is comprised of numerous and varied microfinance organizations across the regions. Prominent features of 'alternative' financial institutions are the following.

- Member organizations are not mainstream commercial institutions and not exclusively concerned with profits and financial sustainability.
- Microfinance is a means to poverty alleviation while at the same time viable financial institutions with long-term sustainability are crucial for continued provision of services.
- Member organizations are national, regional, and international organizations of diverse size and legal frameworks, and implement a variety of delivery methodologies.
- Member organizations focus on the vulnerable non-poor, as well as the entrepreneurial poor and the ultra-poor through specialized services.
- Members believe in and commit to a multi-dimensional development approach as reflected in the provision of variety of loan products for income generating activities, business development, housing, and education, and savings products with various features and insurance service.
- Member organizations take a business-like approach to the provision of non-financial services by ensuring separation from financial services programs.
- Program emphasis is not exclusively on financial services, but also on varied means beyond microfinance that can deepen outreach and assist the poorest, whether it is through smart subsidies, advocacy, or new methods of promoting social organization.
- Organizations are based in the South. Membership in INAFI is not governed by a particular methodology or rigid criteria, but rather by a genuine commitment to the same broad vision and mission of INAFI.

- INAFI network takes an active interest in promoting social impact at the member and broader stakeholder level through social impact measurement tools, institutional and social rating, and benchmarking for self-evaluation and continuous improvement. INAFI also takes an active approach to gender policy.

2.4 INAFI Policies

The core values, development priorities and position on roles of microfinance are made operational by INAFI through its policies. INAFI focuses on researching and promoting pro-poor microfinance at the same time ensuring sustainability, outreach, and impact. Four key components of pro-poor policy include social impact assessment, mainstreaming gender, demand-driven products and services, and poverty alleviation.

- Social performance monitoring at the institutional level can help MFIs highlight their humanistic agenda, and motivate the sector to place greater emphasis on balancing sustainability with a social mandate. Measure social impact, especially regarding health, education, and empowerment. Measurements should be done through inexpensive and practitioner-led studies.
- Develop institutional capacity including capacity for research and product development, and strengthen and unify INAFI network members.
- Actively promote self-regulation and microfinance rating.
- Conduct gender analysis for all programme phases. Develop indicators for measuring empowerment. Develop and promote gender policy that governs recruitment, promotion, and benefits, as well as mandating a safe working environment for women employees.
- Research and assist development of demand-driven products and services, especially products for the hard-core poor and other left-out groups. Research also focuses to broaden financial products such as microinsurance, remittance etc.
- Document and support for programs of innovative MFIs, and explore alternative funding options for pro-poor MFIs that have not yet been able to reach scale of financial sustainability.
- Assist the microfinance sector to set standards for social development and incorporate appropriate indicators for self-regulation.
- Assist member organizations to strengthen human resources through training and policy development to create a professional development workforce.
- Expand the network into new areas of the region, and to forge alliances with other networks, practitioners, stakeholders, and technical service providers.
- INAFI works to further the interests and serve the needs of its members, at the same time it expects members to contribute their time and resources to ensure the vibrancy and effectiveness of INAFI.
- INAFI intends to develop alternative markets for the customers of its members with the intention of setting up a fair trade system for their products.

3. LESSONS FROM PAST PROGRAMS

3.1 Past and On-going Major Activities

INAFI International has accomplished the following important tasks and programs:

- Effective coordination and back-up support for regional offices.
- Advocacy and lobbying for pro-poor microfinance.
- Conducted market study of microfinance in Eastern European countries.
- Organized exposure visits to share experience and enhance visibility of INAFI.
- Organized strategic planning workshop for regional staff members and participated in different events organized by regional INAFIs.
- Prepared and publish the Development Digest;
- Prepare and Publish INAFI Alternative position;
- Publish INAFI first Magazine (INAFI Voice);
- Prepare and publish concept papers on Rural Finance and Remittances;
- Initiate a global survey on INAFI members and Remittances;
- Prepare the INAFI 2008-2010 Strategic Document;
- Develop new promotion document including brochures, posters on INAFI and SIM project;
- Formed task forces and expert groups on the following subjects: microinsurance, remittance, food security and rural finance, gender;
- Co-organize the Bangkok international Conference. During this conference, mindful of the millennium commitment of nations under the Millennium Development Goals (MDGs) of halving poverty, those living under a dollar a day, by 2015; and of the MDGs 8 goals, 18 targets, 48 indicators particularly the goals and targets for health, education, gender equality and empowerment of women, and aware of its contributions of reaching out to 25 million poor constituents out of the 100 million outreach of microfinance, and of its various interventions in health and education and other social development approaches in Africa, Latin America and in Asia; conscious of the January 18, 2002 Bangkok Declaration of INAFI that outlined Social Development, Self regulation and Policy Advocacy as key elements of its strategy; and of the Mombasa Charter adopted in the 4th International Assembly in Mombasa, Kenya in 2002, outlining the following as INAFI's roadmap: broad range of microfinance services to address large scale poverty, opening up innovations and new frontiers; and establishing cooperation and linkages for broader impact, taking stock of the richness and depth of its tradition and experience, its being an alternative financial system, with demand driven, pro poor, indigenous and innovative microfinance and social development practices, collectively, INAFI further commits itself to contribute to meeting the goals of the MDG of reducing the proportion of people living in extreme poverty by half in 2015 including its goals in health and education, and in promoting the equality of genders.
- Organize the Bangkok Strategic Planning Meeting
- Currently implementing Social Impact Measurement (SIM) project. In December 2007, the SIM building phase came to an end. All 10 MFIs and their partner organizations to the pilot agreed that the experiment is a success and the tool is very useful as all need to show the impact of Microfinance activities on poor populations. To have indicators that are agreed by a group of practitioners from throughout the world is unique and very valuable. All MFI's of the pilote phase will continue to use the tool and collect and input data based on the revised questionnaire as agreed upon during the workshop. Several MFI's intent to incorporate the tool fully in their daily practises starting from first quarter of

2008 when the modified version becomes available. The adaptations will be brought forward in the online and offline version of the tool. The translations as well as the on-line version and the manual will become available as soon as possible (in 1st Quarter 2008). The complete toolset will be available in French, English and Spanish and other languages are also possible and can be incorporated into the tool easily. Separate procedure for local translations will be worked out in collaboration with INAFI regional offices. Organize the Global Conference on Remittances, Microfinance and Development in Cotonou, Benin, November 2007

INAFI participated in main events and advocated for its alternative position, such as the latest Microcredit Summit Campaign in 2006 in Halifax, Canada, the 2007 European Microfinance Platform meeting in Luxembourg in November, Regional Consultation on Migration, Remittances & Development in Accra in September 2007, the CGAP meeting on Social Impact Measurement in Paris in June 2007, the IFAD conference on gender mainstreaming in may 2007 in Roma, Italy (this was a Gender mainstreaming and Women's empowerment Workshop; the main Objective was to identify strategic directions for achieving effectiveness and impact of IFAD operations in attaining the MDGs, particularly the poverty alleviation and gender equality objectives. The other objective of the workshop was to reinforce the gender dimension in IFAD strategic framework 2007-2010 and the commitment of its implementation. The IFAD workshop was based on experiences learned from the field, and identified emerging issues. As one of the observers invited as a potential partner, INAFI discussed with IFAD staff including senior Management, the gender focal points and country programmes and introduce INAFI as a global network and the activities being carried out. In October 2007, INAFI participated also in the IFAD International Forum on Remittances in Washington DC. INAFI participated in special session on Gender Dimension of Migration and Remittances for Rural Development), the Conference on agriculture and Development with the French Foundation (FARM), Paris, France December 2007, etc

- Build partnership with various partners, migrant associations in the US, in Europe (Spain, The Netherland, France, Italy, GB etc), with money transfer companies, Banks, (Money Express, Telepay, ECOBANK etc).
- Develop a website linking all INAFI secretariats.

INAFI-Africa's major activities and impacts are as follows:

- INAFI Africa initiated a rating program to secure member organization's commitment to standards in 1999. Based on the initial ratings, INAFI Africa developed a rating program for member organizations incorporating both economic and social performance indicators in collaboration with an African rating agency New Africa Rating (NAR). To date, a total of 15 member institutions had been rated. The process has led to securing member organizations' commitment to standards, building mutual accountability for results, measuring real impact, and promoting transparency between network members. The INAFI Africa rating fund ended in 2004, INAFI Africa as not been able to finance any more rating since 2005 although some of INAFI Africa members continue to be rated using their own means and other Rating funds.
- Established a platform and process for learning through a peer-to-peer learning process and system through which it has facilitated exchange of experience and knowledge between member organizations leading to major changes in practice, products, and significant improvements to systems and service delivery methodologies. A total of 104 senior managers of member organizations have participated in internship/exchange visit programs facilitated by the network. These exchanges visit motivated significant policy changes and innovations in operations of the visiting member organizations.

- Provided highly focused professional training to members in areas such as product pricing, portfolio management, planning and managing growth, financial ratio analysis, governance and leadership, strategic business planning, internal controls and audit etc. Over 300 senior managers of member organizations have received highly focused training on critical aspects of microfinance operations.
- Developed practitioners-based training modules for MFIs in financial service officers, branch management, financial ratio analysis, business planning, governance and leadership and portfolio management. The modules are available for all microfinance institutions in the continent and have earned INAFI the reputation as provider of high quality training.
- Become a point of contact for mutual sector support because of exchange visits, training programs, and research and advocacy initiatives.
- Promoting member organizations views/position on different issues of interest through research and advocacy activities.
- Prepared position papers, especially on food security/rural finance and microfinance and active in mitigating adverse affect of HIV/AIDS on the families.
- Published research reports, newsletters, brochures etc and disseminated to different stakeholders. Developed website, discussion forum and web-based resource centre.

INAFI Asia's major initiatives were:

- INAFI Asia has brought clarity on several issues such as mainstreaming of gender development, INAFI as a network of 'alternative' financial institutions, linkage between microfinance and poverty reduction, remittance and development, microinsurance by preparing position papers, research papers, case studies and pilot proposals on each of these issues.
 - Contribute in the development of demand-driven pro-poor product such as debt swap, microinsurance, loan for asset building and savings products.
 - Influence commercial banking sector through policy advocacy to expand their funding for MFIs or Self-Help Groups (SHGs) for microfinance program.
 - Organize exposure visits on microfinance for ultra-poor, microfinance on remote disadvantaged location and business development services.
- INAFI Asia has developed microfinance rating system combining social development indicators and tested the methodology in several member organizations and is ready to be used for other organizations. CRISL, a Bangladeshi rating agency that has ties with Pakistan, Malaysia and Japan, developed a microfinance rating system with active collaboration with INAFI Asia that incorporated some social development indicators along with the conventional CAMEL indicators, and rated 4 MFIs. Reports are available on the ratings on www.inafiasia.net website. To rate an organisation, one has to form its own database. SIM may be effective if the organisations keep their databases, and the SIM tools are integrated. The knowledge of SIM has not been widely disseminated among the M.Os and has not yet received sector's ratification and endorsement. It needs more time to make it acceptable to all stakeholders to combing with microfinance rating methodology. The SIM has just completed its pilot phase; the extension of SIM has to be undertaken by as many Member Organisations (M.Os) as possible. A specific proposal is being prepared by INAFI, for the SIM extension project rolling out .
- Organize seminar/workshop/conference on Post-Tsunami livelihood development, remittance and development, microinsurance, and social impact measurement.
 - Assist capacity building of MOs through professional microfinance training courses.
 - Develop policy paper on INAFI Asia policies on microfinance and development.

- Conduct policy advocacy initiative on microfinance and microinsurance regulation.
- Work closely with MOs, civil society, donors and migrants organizations on migration, remittances and economic development issues.
- One member country has launched pilot insurance project in collaboration with six member organizations.
- Conduct research on various issues such as impact of microfinance, microfinance regulation, mainstreaming gender, microinsurance, and migration and development
- Organize several seminars/workshops on demand-driven financial products, gender issues, microinsurance and in collaboration with PREM-Netherlands conducted studies on supply and demand of crop insurance in Bangladesh.
- Publish research reports, newsletters, brochures, etc and disseminate to different stakeholders.
- Develop website and web-based resource centre

INAFI Latin America undertook the following main activities:

- Organize training, workshops and exchange program on credit management, financial sustainability, regulations, accounting aion system to improve skills of staff members as well as develop institutional management capacities of member organizations.
- Collaborate to introduce Migrant Remittance Program in 2003 and consolidate and expand throughout 2003-2006 period.
- Conduct assessment of 17 MFIs in several countries.
- Conduct research on poverty and globalization in El Salvador, Peru, Ecuador, Honduras, Bolivia and Nicaragua.

Organize seminars on gender and microfinance, impact of remittance on poverty alleviation, identification of new financial products, poverty reduction through microfinance, credit technologies, etc for more than 400 managers of member organizations. INAFI Latin America reached 50 people with the training on Principles of delivering Non Financial Services and Balance Score Card Methodology

- Present its alternative views on the role of microfinance for poverty reduction, and challenge the present shift of microfinance away from the poor and towards commercialization on various global and regional forums.
- Publish newsletters and brochures and developed website.
- Prepare position paper on remittances and microfinance.
- Collaborate with a Remittances Network that contributes to decrease the amount of the fees to send money from Costa Rica to Nicaragua.

Participation as moderator at the III Sessions of the event calls Remittances and Microfinance that allowed INAFI-LA to show its alternative position regarding the Remittances during the VIII Inter-American Forum of the Micro Enterprise held in Bolivia and organized by the Interamerican Development Bank (IADB).

3.2 Challenges Faced by Regional INAFIs

INAFI International

- To be able to raise new funds for the coming and to consolidate the necessary capacity required to manage an ambitious programme as well as continuing setting up a democratic and transparent organization.

- Dependence on external funding because of the nature of its activity. However more emphasis will be put on members' participation to leverage more funds and to contribute to the network support. INAFI will also charge some services offered (participation to workshops, conferences access to some documents etc) to the members to reduce its costs.
- Building and maintaining internal democracy and accountability is not a cheap affair. INAFI last global General Assembly was held in 2002 in Mombasa Kenya. Since then the member organisations are setting aside budgets to send representatives of the regions in assemblies at the various levels in the network. Smaller members, however, may lack the resources to do so. Not being able to subsidize their travelling and lodging costs would deprive them from exerting their rights and duties as member organisations and render the network in the hands of the strong and profitable members only. The global events should be in the future organized jointly with the AGM every two years. The support of smaller organizations should be a priority with the agreement of stronger member organizations..

INAFI Africa

- Worsening economic conditions in African countries due to high inflation and HIV/Aids epidemic.
- Becoming and remaining financially sustainable organizations under inflationary or depressed economic environment, and maintaining high portfolio quality.
- Limited capacity/appropriately trained staff to manage institutional growth/ expand or transform into sustainable institutions.
- Retaining clients and achieving a deeper market penetration/ lack of technical and financial resources in supporting R&D in new technologies and new financial products.
- Lack of information/resources to automate the management information system by MOs.
- Lack of financial resources to support growth and expansion; shortage of capital to finance growth/invest in potentially profitable financial innovations caused by a shift in funding practices from grants to rating-based investments and loans by concerned agencies.
- Unfair competition, market distortion and poor microfinance policy environment.
- Mission drift of MFIs following regulation and commercialization of micro-finance and entry of moneylenders into the market. Regulation/transformation of alternative financial institutions into commercial entities leading to high capitalization and other mandatory reserve requirements, shift of control away from practitioners to non-practitioners, especially regulators and donor partners.

INAFI Asia

- Countries in Asian region where INAFI is active have expanded outreach tremendously to reach millions of poor women and men with basic financial services. Many MFIs have also diversified into more than one savings and credit product. Challenges of Asian region are as follows:
- Converting the existing savings and credit products to more demand-driven or launching new products to match with the business activities of the poor clients.
- Although the situation is gradually changing, the hardcore poor need to be brought in large numbers under suitable financial and non-financial services.
- Increasingly farmers and micro-entrepreneurs are also demanding credit and opportunities are ripe to hugely increase outreach with appropriate products but MFIs are yet to respond in large-scale.

- Financial services are limited to basic savings and credit services and MFIs singly or jointly need to develop other services such as insurance, remittance etc
- Human resources skills of small and medium MFIs remains a challenge to build sustainable organizations.
- Regulations have been either introduced or in the process of introduction in several countries but the impacts of the regulations remain uncertain.
- Research and product develop, advocacy and lobbying, and aggregation and dissemination of sector-wide information remain a huge problem.

INAFI Latin America

- The main challenge in the Latin American microfinance is shifting away from its root of poverty reduction towards total commercialization and private ownership of MFIs. The process is resulting in neglect of the poorest by a very important segment of microfinance sector. Additional issues for MOs are to:
 - Become and remain financially sustainable organizations.
 - Include the poorest of the poor in the markets, offer fair options to sell their products and buy raw materials, and create new markets for the poor.
 - Decrease the high interest rates charged to the MFIs' customers.
 - Avoid the micro finance market distortions caused by the politicians.
 - Financial services are limited to credit services. MOs need to develop products such as microinsurance, micro-savings, fair trade, etc.

3.3 Lessons of Impact from INAFI Activities

The array of activities accomplished by INAFI over the last decade, especially during the last 3-4 years, has been an excellent source of lessons to shape the strategic direction and programs of INAFI:

The role of microfinance as a powerful tool for poverty reduction in association with other interventions has to be constantly kept at the center of discussion and regularly revisited to prevent gradual drifting of microfinance sector towards overly commercialized service. Although sustainability of the institutions is essential for sustainable services but the present trends of 'commercialization' is forcing MFIs to avoid the hardcore poor. The role INAFI will be very important in advocating and lobbying in favor of the poor to the MFIs, donors, regulators, governments and other stakeholders to maintain the focus of microfinance as a tool for poverty reduction.

- Financial products offered by MFIs are often not demand-driven rather designed to convenience of maintaining high recovery rate. There is dearth of financial products suitable for the hardcore poor.
- MFIs offer very limited range of products. Broadening of products and services will be essential for capitalizing full potential of microfinance as a tool for poverty reduction. Research and development will be a key to innovation of new and demand-driven financial services.
- MFIs with expanding outreach are facing the challenge of weak human resources, management system, inability to develop demand-driven products, measuring impact of their services and advocating in favor of the poor. Building of capacities will remain a challenge.
- There are important variations of opportunities and challenges faced by each Continent and country and even member organizations. INAFI needs to remain flexible and adaptive

to the needs of the Continents, countries and member organizations in designing and implementing its strategy and programs.

- Since capacity and resources of INAFI is still limited it has to work in collaboration and partnership with other stakeholders in each Continent and country to raise voice and create synergy in favor of the poor and maximize the contribution of microfinance for poverty reduction.

3.4 Strengths and Opportunities

Strengths:

- INAFI has a unique strength of representing NGO style MFIs from the South due to its presence in the three continents.
- INAFI has experience of working with diverse institutional delivery systems such as direct microfinance providers, self-help groups, cooperative and village banking organizations. Since INAFI does not promote any particular microfinance model that allows it to represent MFIs with any legal and organization structure and delivery methodology but having pro-poor demand driven services.
- INAFI has accumulated knowledge about the challenges of poverty situation, microfinance services and functioning of MFIs in three continents that offer unique opportunity to conduct advocacy program in favor of the poor.
- INAFI's past advocacy, research and development, and member services activities are the solid basis for consolidating past achievement and launching of new initiatives for poverty alleviation and empowerment of women through financial services.
- International, regional and national chapters of INAFI have contact and collaboration with networking and apex organizations, national and international MFIs, research and advocacy agencies which can be harnessed to highlight plights of poverty and gender imbalances, issues of financial services and implement research and innovation works in individual country or multiple countries.

Opportunities:

- Microfinance services are not still demand-driven and financial service needs are increasing and evolving. INAFI is in a position to continue and expand its research and development program in collaboration with member organizations. The on-going works on new frontiers of services such as remittance and micro-insurance can be expanded and new initiatives can be launched to enhance knowledge and contribute to development of new and demand-driven pro-poor products.
- Actual advocacy in favor of the poor is inadequate. The over emphasis on commercialization of the microfinance undermines the original mandate of poverty reduction, which needs to be constantly brought in the forefront of development debate. INAFI is in a good position to do that.
- Though MFIs has been increasing outreach but professional services to the poor are often hindered by the lack of human skills and institutional capacity. Past success in these areas can be expanded to assist members in enhancing human resource capacity as well as institutional capacity.

4. GLOBAL AND REGIONAL TRENDS IN MICROFINANCE

4.1 Trends and Challenges

INAFI observes many positive impacts due to microfinance and progress in the sector as follows:

- Microfinance has contributed to enhancing family income and improvement in quality of life.
- Enabled more than 113 million poor people² to access basic savings and credit services.
- Since women are the main target for microcredit it has enabled them to interact with formal institutions and made progress in raising their social and economic status, though that is far below the desired level.
- Many microfinance institutions have been able to recover cost of operations and costs of finance, that is, have become financially sustainable and also mobilizing resources in the form of savings or low-cost funds from apex organizations.

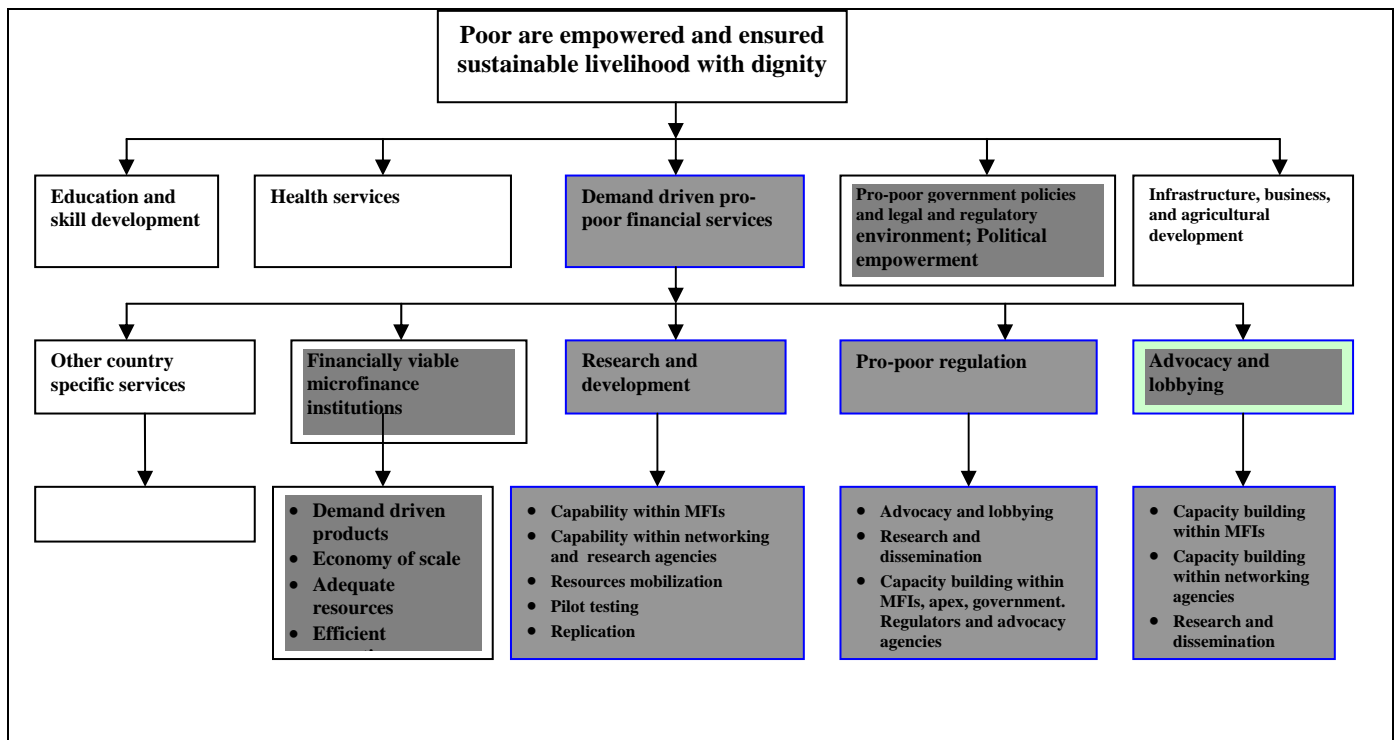
But INAFI also observes that some serious issues need to be addressed in order to continue and strengthen the concept of microfinance as a pro-poor development tool and to achieve the goal of poverty reduction:

- Microfinance needs to provide priority to the hardcore poor through provision of demand-driven products and services. The main focus of many MFIs has become to reach moderately poor or not-so-poor and to provide standardized products. INAFI recognizes that in many cases the hardcore poor may need subsidy forms of service provision.
- The principal reason for not targeting the hardcore poor is overemphasis on commercialization and increasing cost of capital. INAFI recognizes the need for financial sustainability but the process of commercialization and expensive capital from commercial sources are encouraging the MFIs to drop the hardcore poor and take not-so-poor people. INAFI believes that sometimes grants and soft capital for MFIs are crucial for poverty reduction through microfinance.
- Research to develop demand-driven products is very weak to meet the needs of the poor.
- Similarly, the range of products and services are very narrow, which needs to be urgently broaden for in areas such as insurance, remittance, savings in some countries, payment of utility services, credit for agricultural sector and needs of specially needy people such as people affected by HIV/AIDS, natural disasters etc.
- Not many research, networking and advocacy agencies that are effectively raising the voice of the poor deal with above issues
- It is not always properly recognized that the poor needs may other support to overcome poverty such as health services, education, opportunities to gain skill for employment, equal rights especially by the women. Microfinance has become too prominent.
- The impact of microfinance on poverty are presumed these days and proper measurement in terms of social impact and empowerment are often neglected and further marginalized due to over emphasis on commercialization.
- To Expand the MFI's portfolio of services to products such: Microinsurance, Remittances, payment of public services (Electricity, phone, etc), savings, change of checks, etc

INAFI sees the above weaknesses as opportunities to contribute in the sector and develop strategy to complement the efforts of the other agencies in collaborative manners. The following section presents INAFI's analysis on correlation between poverty alleviation and financial services.

² Source: State of the Microcredit Summit Campaign Report 2006.

4.2 Analytical Framework to Identify INAFI's Role



The framework above presents a simplified analytical framework; that is the logical linkage between vision, mission and program activities for the microfinance sector from INAFI's point of view for clarity of understanding and designing programmatic interventions. The graph can be interpreted as follows: many actions and services including policy reform and changes in overall social and economic aspects will be needed to eradicate poverty. One of the important services is microfinance, the sector where INAFI is active. For further development of microfinance as a fully pro-poor service many activities, as indicated in the green boxes, will be necessary. INAFI is active in dealing with issues presented in boxes with a shaded background.

Prior to year 2007 INAFI Africa had been offering focused trainings to members on their areas of weaknesses which were highly being appreciated by members. According to a recent survey done by INAFI Africa on our members needs, most of the members feel INAFI Africa should still continue building the capacity of their staff members to be able to deliver services in an efficient and sustainable manner which is a big challenge to Most of Africa MFIs. (We will share with Oxfam-Novib the outcome of the survey)

Although the idea of the whole of INAFI family to follow the same agenda is a good opportunity to work together with same objectives and the same framework for the follow up it is worthwhile to note that each region has its different challenges and priorities.

Microfinance institutions in different regions are in different stages of development the various experiences give to the network good opportunities to learn more in each continent.

5. STRATEGIES FOR THE 2008 - 2010 PROGRAMME

5.1 Vision, Mission, Focus and Interventions

The comprehensive review and analysis in the previous sections leads to presenting the strategic focus for INAFI International Foundation, which will also be used by the regional and national networks to design, develop and implement programs during the following three years as well as review and refine the existing programs. The strategic plan presented here also clarifies various conceptual positions on poverty and INAFI's roles. We begin the strategic plan with presentation of Global Vision and Mission of INAFI.

Global Vision: A world where the poor are empowered and ensured sustainable livelihood with dignity.

Global Mission: To provide alternative finance that is pro-poor, holistic, and sustainable.

Thematic Focus: Consistent with vision and mission, past and ongoing activities and opportunities in the sector as presented in this document, INAFI through an internal consultative process decided the following strategic thematic focus for 2008-2010:

- Promote microfinance to contribute to the achievement of the MDGs of poverty reduction and to promote a holistic approach of poverty reduction to ensure access to universal primary education and reduce infant and maternal mortality;
- Promote the expansion of demand-driven financial services to include micro-insurance, remittance service and other pro-poor financial products;
- Advocate preference for hardcore poor in microfinance programs to ensure food security and contribution in poverty reduction;
- Promote microfinance for special groups such as people affected by natural disasters and HIV/Aids;
- Promote mainstreaming of gender balance and empowerment of poor women using microfinance as an important tool; and
- Measure social impact of microfinance and other development interventions.

Programmatic Interventions: A logical framework for the overall INAFI strategy and proposed thematic programs is presented in Annex 3. The indicators presented are generic to the issues without mentioning specific targets for the planning period as these will be worked out in annual work plans. When INAFI regions or country chapters develop specific program/project proposals will prepare detail logical framework specific to the programs/projects with indicators presented in Annex 3 as well as including additional indicators with specific targets. The strategic focus presented above will be translated through strategic program interventions across all regions and countries as follows (Further elaboration on each area is presented in Section 6):

- *Capacity Building of Member Organizations* will include skill development of members' staff for efficient management of MFIs, innovation and pro-poor product development, social impact assessment, gender analysis and women empowerment, and development of pro-poor interventions.
- *New Frontiers of Financial Services* will focus on exploring new frontiers of financial services for the poor such as micro-insurance, domestic and international remittance, products to ensure food security, products for special groups (people living with

HIV/Aids) and regions (for example, flood prone areas), fair trade, financial funds for the members, etc.

- *Research to Enhance Knowledge* in areas of poverty reduction, financial services, regulations, microfinance rating, integration of various pro-poor development intervention, gender and empowerment, women economic empowerment, social impact measurement and issues of priorities of poor and hardcore poor.
- *Policy Advocacy* singly or jointly with other organizations in areas of poverty reduction and financial services, regulations (related to the environment and functioning of the MFIs and the taxes), gender and empowerment using research findings INAFI and other institutions. Activities may include preparation of position papers, research papers, participation in national and international events, and arranging dialogue with various stakeholders including donors and governments. In that context INAFI aims to organize an Alternative Microfinance Summit in 2008 or 2009 in conjunction with the presentation of its Social Indicator Measurement program.
- *Expanding Networking Activities* and collaboration with the MFIs of all regions, other networks of similar or allied objectives, wholesale lending agencies, government and regulators, donors and civil society organizations, media and other stakeholders to promote the interest of the poor and achieve of mission of INAFI.
- *Institutional Development and Consolidation* of INAFI to become a more effective global networking organization by improving human resources, internal systems and controls, and devising appropriate policies and programs.

5.2 Roles of INAFI International, Regional INAFIs and Country Chapters

The management system of INAFI International, the regional INAFIs (Asia, Africa and Latin America) and country chapters has evolved during the past 12 years to prepare to work as a strong networking organization involved in advocacy, product development research, capacity building etc. INAFI International has decided to focus its activities on policy advocacy and lobbying, and overall coordination of its regional and national chapters. It will also raise funds for programs to be implemented at the global level.

The regional chapters INAFI are registered not-for-profit organizations who separate boards but operate within the framework of INAFI International. The regional offices may also raise funds to be implemented independently or in collaboration with the national chapters. Several countries, currently in the Asian region only, have national chapters with separate boards, management and staff members to implement projects and advocacy with funds from INAFI International or regional INAFIs or funds raised directly by the country chapter. This structure is expected to continue with stronger coordination and supervision from the international office to ensure continuity in communication, share experience and research knowledge and implement projects to address issues of individual countries or regions.

5.3 Partnerships with Local and Regional Networks and Organizations

Many other stakeholders such as national and regional networking and advocacy agencies, research and academic organizations, regulators, central banks and government agencies, wholesaler lenders, media organizations and various development agencies involved in non-finance sectors are active nationally and internationally to the cause of poverty reduction. INAFI has either established or will establish appropriate relationship, partnership and

dialogue for sharing experience, influencing policies, developing and implementing advocacy and other programs with the ultimate aim of poverty reduction and achieving MDGs. There will be efforts from INAFI to strength partnership development and create synergies among stakeholders.

5.4 Resource Mobilization

INAFI implements its programs through the grant contributions from donor agencies and from funds raised for multi-country or single country program. During the next three years (2008-2010) INAFI International would need USS 3-4 million to implement programs and make the impacts visible. Historically, Oxfam-Novib and DGIS (Dutch Ministry of Foreign Affairs) have been the principal donors for INAFI. The plan is to diversify sources as well as raise funds for various programs as indicated in this document.

6. PROGRAM LAY-OUT

6.1 Program Design,

A major lesson learnt from previous program cycles is that a network should be careful not to over-emphasize the importance of streamlining and alignment in program planning. The microfinance sector is developing at incredible speed with many hundreds of new actors coming aboard every year. Too stringent program planning in such a vibrant environment runs the risk of discussion yesterday's issues instead of today's and tomorrow's. At the same time a certain red line in program planning is required to maintain stability and allow for careful program implementation. In this new program INAFI has tried to achieve both objectives (flexibility and stability) by way of identifying three program categories.

- *Institutional* activities are those required to keep the network running. These essentially are all activities required to maintain governance and basic operational capacity: membership, board and secretariats.
- *Networking* activities are those that make the network visible and heard: representation, publications, advocacy and lobby, fed by a good R&D capacity and supported by an elaborate communications strategy.
- *Development* activities are initiatives that aim to better serve poor people with new products and services but also with innovative approaches and methodologies.

The six programmatic building blocks identified in the previous section can be divided over the three program categories.

6.2 Fund-Raising Strategy

The formulation of the five program categories (Microinsurance, Food Security and Rural Finance, Remittances and Microfinance, WEMAN, SIM), allows for proposing a fund raising strategy that brings about key operational sustainability and identification of strategic partners and distinct from incidental donors or supporters.

The fund-raising strategy proposed is a tiered one:

- *Institutional* activities are increasingly to be financed by the *member organizations*. They have to finance the basic upkeep of their network.
- *Networking* activities are to be co-financed by *strategic partners*: institutions that appreciate the networking function of INAFI and are willing to collaborate in strengthening the Voice of the South in microfinance.
- *Development* activities are financed by sponsors and donors that are interested in the areas of concern tackled by these activities. These donors just contribute to the activities; not to INAFI as an institution and network.

This strategy also points to a hierarchy of activities. Donor and sponsors as well as member organizations have to appreciate that INAFI would not be well positioned to engage in development activities if the functioning of INAFI-as-institution and INAFI-as-network would be hampered by inadequate resource allocation. Because of this hierarchy membership fees, the most secure and predictable source of income, will be reserved for financing institutional activities and do we expect our strategic partners to support us first and foremost on the networking activities and only then consider participation in development activities.

Microfinance networks as a rule of thumb are not sustainable institutions; the emphasis is usually placed with the institutional sustainability of member organizations: the MFIs. As the vast majority of INAFI member organizations has become sustainable or is within grasp of sustainability, INAFI is of the opinion that at least the core institutional functions of the network are to be financed sustainably as well. Membership contributions will therefore allow for reducing donor dependency.

6.3 Financial Planning

Institutional Activities

Critical for survival as a membership organization is a minimum level of functionality of the networks key organs: member assemblies, boards and secretariats. Given the policy of decentralization, INAFI is equipped with multiple organs which places some stress on maintenance costs.

At a rudimentary performance level a regional INAFI needs a core budget of approximately USD 100,000 to 150,000 per year. That allows for board meetings, salaries of key staff, office overhead and basic travel budgets. In Asia the system is somewhat different: the regional INAFI needs less but the country chapters need budgets as well. INAFI Asia, including chapters, would therefore need some USD 200,000 per year. On top of that also the international secretariat needs a core budget of some USD 200,000. If these costs are to be financed by the members (20%) and partners (80%), the following membership fees would need to be collected.

Region	Institutional Budget	Number of members	Membership fee	Strategic Partners Contribution
Africa	150,000	50	600	120,000
Asia	200,000	69	580	160,000
Latin America	100,000	191MFI i.e 29 members (4 members are networks)	690	80,000
International	200,000	148	270	520,000

Member organizations would therefore have to pay their annual regional fee *plus* the mark-up fee for contributing to the international secretariat activities to create a survivalist level of sustainability for the network.

It was proposed that this will be achieved in three steps. In 2008 membership fees will already cover 20% of these institutional budgets, in 2009 30% and in 2010 40%. INAFI therefore requests a contribution from its strategic allies of 80% in 2008 and 70% in 2009 and 60% in 2010 ; that is to say USD 520,000 in total. The transition period is deemed necessary to allow regional and country boards to redesign their membership and fee policies.

For a proper understanding, membership fees are but a small part of member contributions to network activities. In the Africa region member organizations usually pay a percentage of services rendered such as training and exposure, they participate in the costs of travel and

lodging when joining INAFI meetings and they will participate in kind (staff time, facilities) when participating in INAFI projects.

INAFI Latin America argued that its membership is composed by 29 members. From those, 4 are Networks. So that is why INAFI Latin America has 191 Microfinance institutions (MFIs). However the direct members and direct users of the INAFI-LA services are 29. The 60% by 2008 might be unrealistic. In Latin America there are several networks and the membership of all of them covers between 10% and 15% of the budget. In many cases, the donors have given them some donations to be put as a Self sustainability fund.

Networking Activities

Evaluation reports have shown an inconvenient discrepancy as regards the network's performance which can be large contributed to major discrepancies in expectations. Since its inception members considered the network only as an instrument to voice their concerns, but also as a peer-based learning institution. When interviewed during program planning cycles so-called 'member services' nearly always scored highest in popularity tallies. And consequent evaluation reports across the board indicate good levels of member satisfaction.

At the same time external stakeholders, not only donor agencies, often voiced some level of dissatisfaction with the network's performance. They expected a network to be prominently visible internationally as well as regionally and nationally to voice the concerns of its members and contribute to policy and practice changes. Relatively few resources were allocated to this line of networking activities and as a result INAFI remained far less visible than expected or anticipated.

To address this discrepancy in a structural manner INAFI therefore has to formulate hierarchy in its fund-raising efforts. *Networking* activities are now considered of more strategic importance than *development* activities. And strategic partners are therefore requested to prioritize on supporting INAFI's networking activities.

Key networking activities are these:

- Building a professional R&D facility on pro-poor finance that will feed the advocacy program. This requires good part-time researcher per region and a senior researcher at the international secretariat. Including office overhead and travel budgets this will amount to USD 100,000 per annum.
- Building a line of professional publications, produced under the responsibility of the R&D staff and cleared by an internal communications check. A budget of USD 50,000 per year will do.
- Advocacy and lobby: assuming that the R&D facility will produce high quality advocacy material the main task of the international secretary and staff is to represent the network, wherever relevant. Thus required a major international travel budget, including facilities to be accompanied by key board members or representatives from members if so required. Costs expected to run in the USD 50,000 brackets.
- A one time investment is required at the start of the three years program to design a professional communication strategy at international as well as regional levels, and to link and partially integrate the various websites maintained by INAFI. A one-off USD 50,000 would appear to be sufficient.

TABLE 3: NETWORKING ACTIVITIES' BUDGET

Activities	2008	2009	2010	Total
R&D Facility	100,000	100,000	100,000	300,000
Publications	50,000	50,000	50,000	150,000
Advocacy & Lobby	50,000	50,000	50,000	150,000
Communications	50,000	0	0	50,000
Total	250,000	200,000	200,000	650,000

Strategic partners are thus requested to contribute USD 200,000 per annum to INAFI's networking activities with a one-off additional contribution of USD 50,000 in the first year.

Development Activities

In the past INAFI provided a range of services to its member organizations all aimed at helping the MFIs becoming sustainable whilst maintaining their mission; without giving in, as it were, to mission drift. Today the challenge is a different one: most members have become sustainable and maintained their mission as best as they could. The need for assistance in this area has therefore diminished.

At the same time a new broadly shared demand had grown: how to practically reach more priority clients, how to design the most appropriate and affordable products and services for these clients, and how to maintain or re-establish a functional link with other developmental issues faces by these clients? Rather than preventing mission drift, the key issue is now the strengthening and elaboration of the poverty mission of INAFI's members.

To that end INAFI will design and implement so-called New Frontiers of Financial Services projects at various network levels (international, regional and national), with different configurations of industry stakeholders, with individualized time frames and budgets and with various managerial arrangements. In fact, it is foreseen that a patchwork of initiatives will evolve over the coming years. All these initiatives will be properly documented as all, at the end of the day, are expected to offer something of substance to the microfinance sector at large: a tool, a product, an approach, a methodology and so on and so forth. The R&D facility of INAFI will play a key role in keeping track of all the initiatives in order to feed relevant information into the network's advocacy and lobby activities.

The list of initiatives or projects is not a fixed one: during the coming three years new projects may be developed, other will come to an end and others yet again might be adjusted after initial testing. The projects that are either already in progress or near ready to be launched will be presented in the next section.

As regards funding strategy, these projects represent open-bid funding propositions: if a donor feels interested it is not only welcome to co-fund the particular project but also to participate in its implementation.

7. NEW FRONTIERS PROGRAM

Introduction

The most robust program component of INAFI's Strategic Plan and Proposal 2008-2011 concerns the New Frontiers of Pro-Poor Financial Services. The program component will focus on exploring new frontiers of financial services for the poor such as microinsurance, domestic and international remittances, development of products and services to ensure food security, and products for special groups (such HIV/AIDS affected families) and regions (for example, flood prone areas). The program aims to run intensively monitored pilots with a view of presenting well-tested new products and services to the market; product moreover with a high developmental potential.

Though all initiatives under this program will have their own respective unique selling points and characteristics, the methodology applied is fairly similar and follows the line of action research: intensive testing of a new product or approach in various settings. Up to ten member organizations with a particular interest and handling capacity in one of the selected frontier themes will cooperate with an international panel of experts and consultants to see if within their current programs the specific theme can be better operationalized to increase impact of service delivery. Each of the selected action research partnerships will be coordinated by one of the regional or national INAFI offices and be supported by technical assistance providers that will work with the participating MFIs.

The budget of these initiatives consists of three components: a management fee for the coordinating INAFI secretariat, a technical assistance budget and a participation grant for the MFIs to cover part of their costs. On top of that participating MFIs can develop more elaborate proposals to cover a larger share of their costs, particularly on the field of capital investments for building new portfolios

Summary Overview

	PROJECT NAME	INDICATIVE OVERALL BUDGET
7.1	Microfinance and Remittances	700,000
7.2	Food Security and Rural Finance	430,000
7.3	SIM Tool Roll-Out Project	900,000
7.4	Mainstreaming Gender (WEMAN)	450,000
7.5	Micro-insurance Pilots Project	1,675,000
7.6	Microfinance and the MDGs	520,000

7.1 MICROFINANCE AND REMITTANCES

Coordinating INAFI	INAFI Asia (through INAFI Philippines)	
TA Consortium	Organized by Linkis (Oxfam Novib) Expert input from various institutions.	
Participating INAFI Member Organizations	Ten (10) INAFI member organizations from three (3) regions.	
Indicative Budget Summary for 36 months	a. Coordinating costs, including international meetings	210,000
	b. TA provision to participating members and expert input	240,000
	c. Participation fee 10 member organizations	250,000
	Total	700,000

Background

Over the years, poverty have forced people from poor countries to relocate - legally or illegally - mostly to richer countries in the hope of changing their way of life for the better. Some are fleeing internal conflicts and natural disasters while others are looking for better education. This flow of people has today emerged as a transnational incidence that currently involves some 190 states as either countries of migrant origin and destination, transit points, or both for an estimated 185 to 192 million international migrants.

With the primary motivation of earning money, international migrants sent more than USD301 billion in 2006 alone to their families in their countries of origin. This represents at least three times the official development assistance for the same year and has grown nearly a third higher than previous published estimates according to the International Fund for Agriculture and Development and the Inter-American Development Bank. Today 59 countries all over the world receive more than USD1 billion per year in remittances. Large developing countries receive more remittances in raw volume, but small countries receive the most in remittances with respect to their gross domestic product

Challenges

From a development perspective a major challenge is that a big chunk of all remittances is placed in non-productive investments such as the repayment of migration cost and other loans, financing of household expenditures (i.e. nourishment and clothing), land purchases and house construction and/or improvements, purchase of durable consumer goods like appliances and furniture, health and education expenses, support to relatives, savings and socio-cultural and religious celebrations.

It has also been observed that a significant majority of migrants returning home eventually gets caught up in the same poverty trap that made them migrate. There are some business investments but these are mainly to build up family-level private capital. At the same time Diaspora communities can help foster innovation, trigger learning processes or facilitate the transfer of knowledge and technology to enable remittance receivers invest in entrepreneurial activities in their countries of origin. Moreover, migrant communities play an important role in developing new markets and creating trade links. Diasporas channel investment of others

and there are also collective remittances that are invested in socio-civic projects like building or improving schools and churches. But since Diaspora philanthropy operates in sporadic spurts and individual basis, it remains an area of limited exploration with unrecognized potentials for development, and largely undocumented. The sending of remittance is unambiguously a private matter and remains a major challenge to overcome in encouraging philanthropy and investments towards a concerted development initiative.

Partnership Set-up

The phenomenon of migration, the growing issues and needs of international migrants, and the emerging development opportunities have encouraged INAFI to evolve a program on migration and development. In 2005, INAFI's Latin America network conducted an international workshop where the impact of remittances in the region was discussed, specific policy proposals were formulated, and remittance-linked financial services were evolved. The INAFI Latin American network also took on the challenge brought upon by the transnationalization of the financial system and during its International Conference on Migration and Development that was held in the Philippines in 2006, INAFI identified the following challenges: inclusion of migration in the national agenda; enactment of international and domestic policies that will promote and safeguard the well-being of international migrants; and creating an enabling environment that will value-add remittances as a tool for sustainable development. Following these initiatives, and in conjunction with Oxfam Novib, INAFI has meanwhile built both tentative and strategic partnerships with various diaspora communities in industrialized countries. This frontier program aims to foster and consolidate these partnerships.

The overall objective of the project is to link microfinance and alternative remittance systems that will be mutually beneficial to migrants, their families and their communities to promote sustainable development. To fully take advantage of the economic and emerging development impact of microfinance and remittances, INAFI will embark on a three-year strategic plan that will: (a) identify challenges and barriers to entry of INAFI members to conduct remittance related activities; (b) connect and network INAFI members to different international payment networks exploring and adopting several models; and (c) establish a link between the various MFIs and Diaspora communities involved.

An Experts and Task force Group meeting on Microfinance and Remittances was organized in August 2007 in Ouagadougou, Burkina Faso

Some crucial points /objectives were identified during this 2 days meeting:

- Identify challenges and barriers for INAFI members to conduct remittance related activities (transfers, financial intermediation, education, and liaison).
- Connect and network INAFI members to different international payment networks exploring and adopting several models
- Establish a link between INAFI financial services and a financial literacy program attached to a remittance literacy toolkit
- Forge an organic link between INAFI and transnational communities
- Work in the design and marketing of financial products
- Integrate in INAFI's mandate a migration and development agenda and goals

This INAFI Conference bannered by the theme "***Alternative Financial Institutions as a Platform for Harnessing Remittances, Diaspora Philanthropy and Investment for Sustainable Development***" took place in the capital city of Benin. The objectives of the Conference were:

- To put in place new mechanisms and memorandums of understanding for joint and shared actions,
- To do propositions and set up mechanisms for co-operation between migrants and MFI's for remittances and sustainable development.
- Identify or create microfinance products focused to the family of the migrants that the MFI's members of the Network could start to commercialize among their customers.

The conference delivered the following outputs:

1. How to engage MFI's in remittances and what is needed in terms of building capacity and infrastructures,
2. How to engage migrant organizations in international economic development,
3. How to address needs of migrant organizations to engage in microinvestment and setting up small business and
4. The modalities for an INAFI International fund on remittances and Microcredit.

Proposition of some Microcredit product especially designs for the families of the migrants

7.2 FOOD SECURITY AND RURAL FINANCE

Coordinating INAFI	INAFI Africa	
TA Consortium	Organized by MSBD, Kenya Expert input from various institutions including FARM, France,	
Participating INAFI Member Organizations	Ten INAFI member organizations from three regions.	
Indicative Budget Summary for 36 months	a. Coordinating costs, including international meetings	90,000
	b. TA provision to participating members and expert input	90,000
	c. Participation fee 10 member organizations	250,000
	Total	430,000

Background

Food security means that everyone, at all times, has access to and control over sufficient quantities of good quality food for an active and healthy life. Lack of food security is one of the most striking manifestations of poverty. Therefore, if MFIs are to contribute to the eradication of poverty, increased food security is one of the most visible forms of evidence that their efforts have been successful; in fact, a more substantial measuring tool than a formal income proxy indicator.

INAFI has adopted a link with food security in two ways. A first follows the reasoning above and concerns the design and implementation of food security indicators in MFIs' management information systems in order to keep track of progress made and results achieved. This line is pursued through the social indicators program (SIM) that is currently being implemented. This particular action research partnership tackles the problem in a different way by investigating the question if MFIs can have a direct impact on increasing food security through the design of their financial products, services and delivery methodologies.

Challenges

In microfinance it has become common to focus credit delivery on productive investments through the provision of working and investment capital. Provision of consumptive credit is usually considered a high-risk proposition out of fear of a client's handling capacity to repay a loan and pay the interest involved, if the loan is not directly contributing to increase of income earning and, thus, repayment capacity. Household expenses, such as buying better food, are frequently not considered eligible expenses for loan provision, even though extended credit is generally applied in a fungible manner at the bottom of the poverty pyramid.

At that level, moreover, a growing body of evidence indicates that the poorer clients first and foremost need permanent access to savings facilities and only occasionally are in need of loan provision. In many countries, however, MFIs are not allowed or licensed to offer savings products which may jeopardize their ability to service poorer clients on terms they can handle and in line with what they need.

In rural areas, where most of the poor still live, this problem is even more pressing. First because many MFIs have come to concentrate on urban service delivery where operational

costs are lower and profit margins higher. And second because food security does not only imply accessibility of food (the capacity to buy it) but also the availability of food and its nutritional value; which are more compelling challenges in rural settings.

Partnership Set-Up

The action research partnership on food security aims to achieve two objectives. In cases where MFIs are allowed to collect savings, the objective is to identify the best possible mix of services that allow for direct contribution to enhanced food security for rural families. In cases where MFIs are not allowed to do so, the partnership will look for alternative savings modalities (through the formation of member-based groups or through linkages with formally licensed financial institutions) in order to catch up with the first objective.

The partnership will identify and invite MFIs to participate that [a] have a keen interest in enhancing food security, that [b] are active in rural areas and that [c] are willing to design and test new products and services within their active portfolios. The partnership will make available various forms of support to these MFIs to pioneer and test these new products and services. One key element therein is 'on the ground' gender analysis and monitoring which is deemed essential given the strong correlation between gender and food security.

Per participating member organization a detailed plan of action will be formulated, based on simple household surveys in selected operational areas, as well as a review of existing financial products and services as regards their direct impact potential on food security. Identification of participating MFIs will be completed by the end of the third quarter of 2007 whereas the surveys and reviews will commence in the first quarter of 2008 upon securing the budgetary requirements.

This partnership will be coordinated by INAFI Africa, which, to that purpose will appoint a (part-time) program coordinator for the duration of the project. MFI partners will be recruited from three continents. The final composition of the expert panel will be decided upon in conjunction with the selection of participating member organizations to secure maximum support capacity.

Currently, there is no Executive Director at INAFI Africa. As agreed during the last board meeting in Benin, the position was re-advertised. Nine (9) candidates applied for the position and the process of short listing 3 candidates to be interviewed is underway. The problem faced by the Africa region is the lack of funds, and strong and professional team to undertake the fundraising activity, and the management of programme. During the last AGM the member institutions resolved to contribute towards the recruitment of the Executive Director. The other challenge is the funding to bring the board and the 3 short listed candidates for the final interviews. Once these issues are cleared the recruitment will be done.

7.3 SOCIAL IMPACT MEASURING ROLL-OUT PHASE

Coordinating INAFI	INAFI International; various INAFI secretariats	
TA Consortium	Ordina: technical support and training Oxfam Novib: international marketing	
Participating INAFI Member Organizations	As many as possible of INAFI's MFI member organizations; at least 50 in three years.	
Indicative Budget Summary for 36 months	a. Coordinating costs, including international meetings	150,000
	b. TA provision to participating members and expert input	360,000
	c. Participation fee member organizations; lump sum	400,000
	Total	910,000

Background

It is no longer doubtful that microfinance can raise clients' standard of living and help reduce poverty. Success stories through the sector appear to testify to that. However, to date very little empirical evidence exists that microfinance directly contributes to poverty eradication as impact is often assumed or indicated rather than concretely measured beyond a mere daily income proxy.

For that reason INAFI two years ago set in motion a pilot program that actually measures impact of microfinance services in terms of poverty reduction by designing impact indicators and include these in day-to-day management information systems used by MFIs. This project came to an end in December 2007 with the formal launch of a concrete and flexible tool that can now be absorbed by essentially all MFIs interested to learn about the developmental impact of their work.

Challenges

The major challenge in the roll-out of this so-called SIM tool is twofold: to convince potentially interested MFIs that it is worthwhile taking the effort to apply the tool in a wholesome manner and to provide the technical assistance to do so. The first challenge has been overcome by a growing majority of INAFI member MFIs now that they have seen the tool working in practice with ten of their peer member institutions in the INAFI network. The second challenge is to be overcome by the proposed roll-out phase of the SIM project.

This will require a comprehensive strategy to work with as many as possible INAFI member organizations at high levels of efficient to keep training and installation costs in check. For that reason a regionalized approach is opted for. Per region, sub region or country a roll-out plan will be formulated if at least five members would sign up for simultaneous participation. That represents sufficient demand to justify making available a trained SIM technical assistance provider from the same location. These SIM trainers will first be trained and certified by INAFI and Ordina, the main technical service partner in this project. It is expected that at least ten batches of minimally five member organizations will sign up for participation

in the rollout project during the 2008-2010 period which would warrant major industry impact as regards social impact measurement.

An additional challenge will be to generate interest in the SIM tool beyond the confinements of INAFI membership. The project aims at broadening its client base, as it were, as of 2010 when sufficient implementation experience will have been gained. A last feature to be considered in this project is the potential for INAFI to turn the application of the tool as a revenue base for the network, therewith reducing donor dependency. Whereas the underlying software is opening source-based, the tool itself can possibly be marketed on a franchise basis.

For instance BRAC Bangladesh has been doing Impact Assessment Study on regular basis by its own Research and Evaluation Department (RED) since 1997. So far it has completed three studies of such types. It has been done by commissioning study on some selective indicators developed by RED with the assistance of consultant. Some of these indicators are similar to SIM. BRAC is interested to adopt SIM as BRAC has computerized information system that will make BRAC capable in maintaining an available database to conduct SIM.

Lastly, the projected R&D facility to be placed at the INAFI International office will over time come to play a role in the collection and dissemination of output data of all participating MFIs that will feed into INAFI's international advocacy and lobby efforts to promote poverty-based microfinance.

Partnership Set-Up

INAFI International will centrally coordinate the SIM roll-out project through the appointment of a highly qualified social impact specialist. This functionary will work with the regional and national INAFI's that will come to play a role in the roll-out strategy. At the same time long-standing technical partner Ordina will continue to play a technical service role throughout the project and also train and provide back-up support to local SIM certified trainers that will work with the participating MFIs. Oxfam Novib will continue to play a supporting role in the international marketing of the SIM tool, both within the larger Oxfam International network of like-minded donor agencies and within MicroNed, the Dutch coalition of donor agencies in microfinance, and possibly beyond as well.

7.4 GENDER MAINSTREAMING IN MICROFINANCE (WEMAN)

Coordinating INAFI	INAFI Latin America	
TA Consortium	Linda Mayoux: lead consultant and TA provider. Additional input from Oxfam Novib, IFAD and regional consultants.	
Participating INAFI Member Organizations	First year mainly recruited from Latin America, thereafter from other regions as well; at least 10 members per region.	
Indicative Budget Summary for 36 months	a. Coordinating costs, including international meetings	120,000
	b. TA provision to participating members and expert input	180,000
	c. Participation fee member organizations; lump sum	150,000
	Total	450,000

Background

The WEMAN initiative is an on-going and long-term global multi-donor process coordinated by Oxfam Novib as the livelihoods dimension of its Gender Justice program. Its goals are the [1] improvements in livelihoods, increased assets and gender equity for women and their families in participating organizations; [2] removal of gender discrimination in participating organizations; and [3] mainstreaming gender justice in national-level economic policies. It aims to develop and implement women's own action learning, linked to organizational and macro level policy development, on four interlinked areas of economic intervention: training and business development services (BDS), financial services, value chain development and local and national economic planning.

This particular project is designed to bring INAFI member organizations in the overall WEMAN initiative by facilitating their participating in planned activities and action modules of WEMAN as well as by organizing specific activities for INAFI member MFIs.

Challenges

Women economic empowerment is an important component of pro-poor development programs and activities. It requires the removal of gender discrimination across the whole range of economic development policies and to ensure gender equal access to all opportunities, as a women's right. Gender economic empowerment also requires positive actions and empowerment strategies targeting both women and men to challenge and change gender injustice – in individual attitudes and behavior within the household, in communities and markets, and the level of national and international policies and transactions

The WEMAN initiative therefore has developed a focus to mainstreaming gender across the whole range of development in the financial sector from the rapidly developing poverty and development focus in commercial banks, MFIs and NGOs involved in capacity building of saving and credit groups. This would ensure that women have equality of opportunity and access to finance at all levels as a human right. This builds on the current *Genfinance* project supported by Oxfam Novib and IFAD.

Secondly, the initiative will build a local capacity for individual and collective action on gender and livelihood based on existing participatory methods, particularly Participatory Action Learning Systems (PALS) which enables women and men who cannot read and write to develop their own life plan for improving livelihoods and gender relations, to develop local collective plans for improving livelihoods and gender relations, to develop local collective plans for action research, to track progress and empowerment and gender equality goals and how men's support for change can be negotiated increasing incomes and women's control over incomes and assets (particular large assets like land) and diversification of local economies and markets to open up a greater range of profitable activities to women. This builds on current work by a number of NGOs and proposal for up scaling to be presented to IFAD by Oxfam Novib and INAFI international.

Thirdly, gender needs to be mainstreamed in Local economic development planning processes and national and international value chain development. This includes promotion of meaningful and informed participation of women, including very poor women in action research and planning processes, building on local actions through micro-finance programs and PALS as well as other relevant processes. This would promote an inclusive sector operators and policy makers and multinational companies to develop "win-win" scenarios and relationships combining growth with equity. This builds on a recent pilot initiative by ILO in Ethiopia and Kenya and current discussions for up-scaling with SNV and GTZ.

Partnership Set-Up

This specific INAFI component in WEMAN will be led by Latin American region, in close partnership with INAFI Asia already strongly involved in the gender project. INAFI member-organizations in partnership with INAFI Asia/Bangladesh due to the fact that various activities have been planned in Latin America region which provides a unique entry opportunity for INAFI members.

For that reason INAFI Latin America will coordinate this project from INAFI's perspective and will do so in conjunction and close cooperation with Oxfam Novib's and IFAD's policy development staff. Ms Linda Mayoux will be the key technical service provider and trainer throughout the project and engage other seasoned trainers and facilitators on a needs basis, taking into account workload and language considerations.

The WEMAN project should take into consideration, the work done by INAFI Asia that has long been pursuing the gender mainstreaming programme as mentioned earlier INAFI Asia is currently working on a research project to track down the gender sensitivity trends among its member organisations, and a publication is pending on Institutional Assessment of Gender Situation on INAFI Asia member organisations. Apart from that INAFI Bangladesh is working on another research to assess the status of women empowerment of its members' clients. Reason why the gender programme proposed by INAFI International will be leaded by INAFI Asia who has a lot of experience to share with the gender mainstreaming project, and the economic empowerment project, this leadership will be done in close collaboration with INAFI Latin America.

The involvement of INAFI Latin America will bring a more global approach to this project. As at to date, the WEMAN project is only experienced in the English speaking countries; French Speaking and Portuguese speaking countries are still left out. For the coming three year programme, INAFI decide to involve West African countries in the new programme. The training materials will be translated and specific training and research programmes will be undertaken.

INAFI member organizations will participate in planned WEMAN activities together with other MFIs and NGOs and where need be the project will organize special events for INAFI members.

7.5 MICRO-INSURANCE PILOTS PROJECT

Coordinating INAFI	INAFI Asia (through INAFI India and INAFI Bangladesh)	
TA Consortium	ASKMI, India, and MIAN, the Netherlands, with possible input from local consultants and experts.	
Participating INAFI Member Organizations	Twelve INAFI member organizations from three continents.	
Indicative Budget Summary for 36 months	a. Coordinating costs, including international meetings	75,000
	b. TA provision to participating members and expert input	400,000
	c. Participation fee member organizations; lump sum	1,200,000
	Total	1,675,000

Background

Globally microfinance has emerged as an effective instrument to address poverty. Access to credit and savings services has made perceptible changes in the lives of the poor. Yet, the risks that visit poor are diverse and render them vulnerable despite savings and credit services. In fact, poor face life long risks. The risks range from expensive illness, death of a breadwinner, calamities and natural disasters (flood, drought, earthquake, tsunami etc.) political instability, communal riots and both predictable and unpredictable market stocks, particularly those affecting the relation between food prices on the one hand and the wages on the other.

Insurance services are emerging as a coping mechanism to deal with many risks and vulnerabilities. To insure means to protect oneself. It is therefore logical that the principles of insurance have the greatest relevance to the most vulnerable in society, the poor. There is a need to look at why insurance is the most important component of ensuring the effective use of financial resources provided to the poor and how an affordable, comprehensive and sustainable insurance scheme can operate at the low income level.

Challenges

To provide protection against risks the poor have in the past developed informal insurance mechanisms such as selling assets, exchanging gifts, cash transfers and diversifying crops. These have proved inadequate. Microfinance interventions have clearly shown that the poor people can save and want to save. The need of the poor to access lump sums in return for smaller affordable payments can be satisfied in the following ways: savings deposit – lump sum in the future from small savings now; loans – lump sum now for saving (repayments) in the future; and insurance – lump sum at an unspecified time for a series of savings (premiums) now and in the future

Credit and savings products offer low-income households a method for converting a series of small contributions into a large sum of money. Three characteristics of credit and savings products affect their ability to meet households' risk-management needs: access, savings / repayment schedule and amount available. These products, however, like all credit and savings products, have certain limitations in their ability to serve households' risk management needs. At a certain point therefore insurance becomes a more effective method

of risk management. Micro-insurance requires a physical closeness between the two parties, a more responsive, efficient, trustworthy and flexible distribution which has a detailed understanding of clients' needs and preferences is fundamental to an affordable and successful insurance scheme.

For the INAFI network and its members, the imperative of launching the insurance services as part of its microfinance program can not be overemphasized. It is recognized however that enabling and offering insurance services to the poor are quite a different proposition vis-à-vis savings and credit. INAFI does realize that it is not starting on point zero but some of the members have already initiated the work, although they all remain in the realm of piloting and experimentation. In the context of Asia, the members took stock of the situation in 2005 and shared whatever experience gained so far. This mapping exercise for the current status has focused on the type of risks covered (life, health and assets); the number of clients covered under micro-insurance programs; risk pricing (average premium paid) and risk compensation (sum insured). The mapping also looked at the kind of arrangements for providing insurance services – whether it is linked with the mainstream insurance companies or pursuing community based informal mutual insurance solutions – and covered the regulatory provisions broadly available for insurance services in different contexts.

Based on the mapping this current frontier project proposal was designed, which is focusing on the following principles: comprehensive mapping of risks and vulnerabilities of poor for evolving appropriate products and solutions including localized informal arrangements as part of the comprehensive insurance programs; comprehensive intervention rather than stand alone products; affordability and flexibility in terms of risk pricing and product innovation; micro-insurance as a social tool to build comprehensive social security system; enabling access and proximity to the services; promoting awareness and literacy among the clients for effective participation; and building a cost effective system and management mechanism for insurance programs for a long haul operation.

Partnership Set-Up

Twelve insurance pilots will be conducted under this project with four INAFI members from Asia, five from Africa and three from Latin America. The project will be coordinated by INAFI India and technically facilitated by ASKMI in India and MIAN in the Netherlands. After successful completion of the introductory workshops and training, the participating MFIs will start their own respective pilots. These will require substantial amounts of investment capital for which they will resource their own funds, but will be supported by a project participation fee of USD 100,000.

INAFI Microinsurance and Mutual Insurance Kick Off workshop was held from July 30 to August 1, 2007. This was a follow up of the Experts and Task force group meeting held in March 2007 in Bangkok, Thailand. Participants came from different countries (Peru, Costa Rica, Burkina-Faso, Kenya, Sri Lanka, Bangladesh, India, the Netherlands, Senegal, etc.) The workshop started with the exposure visit of Microinsurance operations of Federation des Caisses Populaires du Burkina Faso (FCPB) on July 30, 2007. This was a follow up of the Experts and Task force group meeting held in March 2007 in Bangkok, Thailand.

When sharing their experiences, participants agreed that *Insurance* is a new frontier for NGO-MFIs— particularly for INAFI as a Network. NGO-MFIs have been trying to offer insurance' to their clients which can not be claimed to be really life insurance, but to reduce loan portfolio risk in case of death of borrowers.

The inception workshop, a technical training in line with the plan of action drafted in Bangkok that MFIs identified for the 12 pilot programmes was done at Madurai, South India.

Besides orientation and training, the participants from the following INAFI MFIs were exposed to mutual insurance initiative of DHAN Foundation under implementation for more than three years with the collaboration of MIAN from the Netherlands

INAFI Asia & Bangladesh will partner with INAFI India for leadership of this project. Oxfam Novib SA desk is supporting a micro-insurance pilot project in Bangladesh. Through that project:

- A micro-insurance market study technique has already been developed. INAFI Asia/Bangladesh is now in a position to provide technical assistance to INAFI Family's M.Os and other stakeholders. Already it has got request from Action Aid (Bangladesh) .It has also received request from PKSF (Bangladesh) and ILO.
- Microinsurance products have been developed and been made available for extension by the INAFI's M.Os. BRAC has already expressed its interest to take technical assistance from INAFI Bangladesh to implement the products. The way the products were developed for the poor by involving grassroots participation of poor clients and NGOs/MFIs with the help of MIAN, these products were tailor-made and focused targeting the hard core poor and the poor. The products developed by the MIME can be adopted anywhere.
- INAFI can take lessons from the market strategy, insurance education and awareness building strategy taken by the Bangladesh project
- The business plan developed by the Bangladesh micro-insurance pilot project (MIME-Micro-Insurance Mutual Entity) can be a roadmap for any organisation.

For more details, please find attached document titled INAFI Bangladesh Focus note – Role of INAFI in Microinsurance Sector in Bangladesh. This news about MIME is going to be published in Prosper Magazine of International Cooperative and Mutual insurance Federation (ICMIF) , a London based organisation

7.6 MICROFINANCE AND THE MDGs

Coordinating INAFI	INAFI Asia (through Inafi India)	
TA Consortium	UN Millennium Campaign, Oxfam Novib	
Participating INAFI Member Organizations	All regional and country INAFIs and various key INAFI member organizations	
Indicative Budget Summary for 36 months	a. Coordinating costs, including international meetings	120,000
	b. TA provision to participating members and expert input	120,000
	c. Participation fee member organizations; lump sum	300,000
	Total	520,000

Background

More than a decade of deepening engagement with microfinance programs throughout the world has brought home the message that microfinance goes beyond finance and compels attention and action from a larger development perspective. This enabling alternative paradigm seeks the engagement of microfinance programs beyond credit schemes as a judicious blend of finance and development for addressing the many dimensions of poverty. This unique framework in which microfinance drives specific development outcomes creates a remarkable opportunity for the achievement of the MDGs related to education, health and the environment. The pursuit and success of such an alternative framework hinges on the large swathe of social capital being built through microfinance programs.

In keeping with this commitment to an integrated development approach, INAFI sees a natural interconnection between microfinance and the MDGs. The work of INAFI members coincides firmly with realizing the MDGs. The goals, indeed, are a part of the agenda of INAFI members in the holistic development perspective.

The INAFI network and its members have supported the implementation of this paradigm. In March 2007, INAFI launched a campaign to address MDGs through microfinance by organizing a global conference in Bangkok, Thailand, that brought together its members in Asia, Africa and Latin America to share their experiences in working with microfinance to achieve the MDGs. The conference provided a framework for capacity building through transfer of knowledge and experiences. Furthermore, the participants reaffirmed their commitment to improve the linkage between microfinance and the achievement of the MDGs.

Challenges

In its pursuit of alternative paradigm for addressing poverty through microfinance interventions, the INAFI network and its members have challenged themselves to use the platform of microfinance as a pivot to connect financial service delivery with the MDGs. In fact, INAFI has been endeavoring to keep its programs focused on gender and social development of clients. This commitment to achieve gender and social development goes with many of the goals of MDGs

Microfinance brings together communities of unorganized poor building their social capital and their social network. Building and sustaining social capital requires faith and affirmative

action within the alternative paradigm of microfinance whereby building the capacity of the community to direct their economic and social development is given primacy. The social capital then sets a stage for other interventions – primary education, health including child mortality, maternal health, HIV/Aids, malaria etc. Microfinance provides a space for addressing gender equality by promoting awareness, literacy and leadership among poor women leading to empowerment.

The challenge for the network and its members lies in recognizing these positive developments through microfinance interventions on the development front and capitalizing on these strategies.

Partnership Set-Up

Globally, the UN Millennium Campaign and INAFI see a remarkable opportunity to capitalize on the economic and social potential of mainstreaming MDGs into microfinance framework. The joint campaign seeks to promote global partnerships with various development actors: governments, civil societies, donors, and philanthropies. The campaign will focus on enabling access to the resources of microfinance to the most marginalized populations. Civil society should advocate and campaign at the grassroots level to sensitize local governments and orient them through SMART (Specific, Measurable, Attainable, Realistic and Time bound) tracking of MDG achievements. INAFI and the UN Millennium Campaign shall launch a three-pronged action plan to integrate microfinance and MDGs to include the following: undertake and publish an annual global report on the State of Microfinance and MDGs; prepare regional reports on microfinance and MDGs for Asia and Africa; release selected annual country reports to provide focused attention on the core country contexts and their progress towards MDGs; and develop a toolkit for mainstreaming MDGs into microfinance

The global action will include mainstreaming MDGs into microfinance agenda at various levels including local, and country levels. The UN Millennium Campaign and INAFI have strong synergy to enhance greater participation and commitment of government, civil societies, private sector as well as other stakeholders to reorient and promote microfinance initiatives and programs towards sustainable achievement of MDGs. A first meeting was held with INAFI Asia, India representatives, and the international Executive Director with the Asia MDG campaigners during the Bangkok meeting in March 2007. Following this meeting, INAFI India produced in collaboration with the international secretariat and other regions, the collective brochure to highlight microfinance contribution to the MDGs.

The UN system decides to use the regional approach for the MDGs Campaign.

A launch ceremony was organized in Cotonou, Benin, November 2007. The Millennium Development Campaign for Africa, launched in collaboration with INAFI, the co-branded INAFI/UNMDC booklet titled: “*Achieving Millennium Development Goals: the Promise of Microfinance*” in presence of more than 200 microfinance stakeholders coming from the INAFI members, development agencies, the Government of Benin, Diaspora organisations from around the World, etc

Simultaneously, the joint INAFI /UNMDC campaign will continue to advocate for pro poor policies and strive to strengthen people’s capacity to define and access their rightful livelihood resources and hence ensuring their right to basic services. Both organisations (UNMDC and INAFI) have strong synergy to enhance greater participation and commitments of Governments, civil society, the private sector as well as other stakeholders to reorient and promote microfinance programmes and initiatives towards the sustainable achievements of the MDGs by 2015.

INAFI Asia / India will be the coordinating agency to promote and expand the linkage of Microfinance with MDGs besides focusing on the strategies enlisted above. INAFI India will sensitize and orient the members work in close concert with INAFI International and the Regional Secretariats. It would also facilitate the regional secretariats and other country chapters to undertake the studies on the State of Microfinance and MDGs on the respective contexts.

The results of INAFI Bangkok conference on microfinance and MDGs are that INAFI members are motivated and aware on joint campaign on attainment of the MDGs. In short:

- This reoriented INAFI Asia Member organisations about how to link their programmatic interventions with the MDGs
- Organisations understood their contribution to achieve the MDGs and also identified the gaps that should be filled up through programmatic interventions.
- This event shown how microfinance is linked and contributing to achieve some goals of MDGs like poverty reduction, health, education and gender development.

INAFI Africa is already in touch with the UN Millennium Campaign for Africa and has submitted to them a funding proposal as a starting point to carry out a research on the Impact of Microfinance Industry towards achieving the MDGs in the Africa continent