



# Helping Nepal grow



## MESSAGE

## Microfinance Summit opens today

## schedule

**THE SUMMIT** will chart an action plan for building a strong microfinance sector for inclusive economic growth and end with the joint declaration. The plenary and sessions are designed to facilitate the achievement of the intended output.

DAY MORNING	NOON	AFTERNOON
1 Opening/ Introduction	State of Microfinance	Practices in Microfinance
2 Value Chain Finance	Innovative products and services	Clean and Green Microfinance
3 Sources of Fund	Clients and Protection	Issues & Declaration / Closing

After the opening ceremony, participants will attend an introductory session where they shall be briefed on the format and intent of the summit.

During the final session before the end of the summit, participants will be allowed to deliberate and eventually come to an agreement regarding the issues to be included in the Summit Declaration and the joint action plan. The points of agreement will shape the basis of the Summit Declaration, after which the closing ceremony shall take place.

- PLENARY SESSIONS**  
**DAY ONE - February 14, 2010 (Falgun 02, 2066), Sunday**  
**Opening Ceremony**  
 • Progress on the declaration of the 1st Microfinance Summit Nepal 2008 - CMF  
 Plenary Session  
 State of Microfinance  
 • Outreach and Growth: Inclusive Economic Growth - Mr. Ganesh Bahadur Thapa  
 • Social and Financial Performance of Microfinance Industry in Nepal - CMF  
**BREAKAWAY SESSIONS**  
**Practices in Microfinance**  
**Breakaway Room 1**  
 • Governance in Microfinance Institutions in Nepal - Mr. Raghab Kayast, PhD Candidate  
 • Role of State for the Development of Microfinance Sector - Mr. Narahari Dhakal  
 • Cost of Operation in Plains and Hills: Case of Sustainable Branch - NMBA  
 • A Case for Sustainable MFI: Dumbarana SFCL - SKBBL  
 • Cooperative Microfinance - NEFSCUN  
**Breakaway Room 3**  
 • Experiences of Individual vs. Group Based Lending - MIFAN  
 • Reaching the Unreached: Modality of Microfinance Services in MEDEP- MEDEP  
 • Community Managed Microfinance Programs - Plan Nepal

- DAY TWO - February 15, 2010 (Falgun 03, 2066), Monday**  
**Plenary Session**  
 Value Chain Finance and Cooperatives  
 • Business Model for Value Chain Finance Through Cooperatives - GTZ-INCLUDE  
 • Microfinance in Value Chain - Mercy Corps  
**Breakaway Sessions - Noon**  
**Innovation in Products and Services**  
**Breakaway Room 1**  
 • Designing of Savings and Loan products - Micro Save  
 • How to Deepen Microfinance Outreach to Serve Poor People - RMDC  
**Breakaway Room 2**  
 • Remittance: Challenges & Opportunities for emerging Microfinance market - IFAD  
**Breakaway Room 3**  
 • Micro Health Insurance Model to Reduce Vulnerability - MIA  
**Breakaway Sessions - Afternoon**  
**Competitiveness**  
**Breakaway Room 1**  
 • Commercial Bank Participation in Microfinance: Competition or Opportunity - Standard Chartered Bank  
**Breakaway Room 2**  
 • Credit Risk Profiling Techniques-Nathan Associates  
 Clean and Green Microfinance  
**Breakaway Room 3**  
 • Can Microfinance Institution Help in Reducing Carbon Emissions? - CMF  
 • Can Microfinance Institution Help in Reducing Carbon Emissions?: International Lessons - Frankfurt School of Finance & Management  
 • Carbon Revenue and MFIs: Making it Work- SNV-Nepal  
**Breakaway Room 4**  
 • Potential of Solarhomesystems, Biogas Plants and Microhydroplants in Nepal and Opportunities for MFIs - AEP/ESAP  
 • Experience from Existing Co-operation Between Commercial Banks and Local MFIs for Lending in Solarhomesystems - AEP/ESAP

- DAY THREE - February 16, 2010 (Falgun 04, 2066), Tuesday**  
**Plenary Session**  
**Sources of Fund**  
 • Impact of Deprived Sector Lending Policy in Microfinance Actor - Nepal Rastra Bank  
 • Supply/ Availability of Wholesale Funds: Challenges and Opportunities- NUBL

- Breakaway Sessions**  
**Clients and Protection**  
**Breakaway Room 1**  
 • Client Retention and Duplication- DEPROSC- Nepal  
**Breakaway Room 2**  
 • Transparency in Interest Rate and Principles of Client Protection- PlanNet Finance  
**Breakaway Room 3**  
 • How Do We Enhance Entrepreneurial Skills of MFI Clients - GTZ-INCLUDE  
**Breakaway Room 4**  
 • How Do We Establish Linkage of COs and SACCOs With Other MFIs Protecting the Rights of Clients Over Assets - PAF  
**Issues and Declaration**  
**Closing Ceremony**



**ALLOW** me to extend my heartfelt best wishes to the organisers and participants on the occasion of the three-day Second Micro Finance Summit Nepal that is going to kick off today in the capital. On behalf of the German Federal Ministry for Economic Cooperation and Development, GTZ has been an integral partner in organizing the summit in the past and we are deeply honored to have the privilege to take part again.

I am hopeful that this year's summit will continue to contribute to the success story that you have demonstrated in the past in sending a strong and united message. The theme chosen for this year's meeting — "Microfinance for Inclusive Economic Growth" — is of utmost importance to the present day Nepal.

It has been an opportunity for us to have supported the microfinance sector in Nepal in a number of ways over the past decades. In the past, we have supported the formulation of the National Microfinance Policy and the strengthening of the Small Farmer Cooperatives System. We also supported commercial banks in downsizing of credit facilities to the lower strata of people within this country.

Under the INCLUDE programme, we are working directly with stakeholders from the public and private sectors as well as civil society with a view towards increasing access to finance for disadvantaged groups. We are following an integrated programme approach at the regional level and then feed relevant issues into the appropriate national level dialogue. We have designed a number of tools and ideas that we would like to provide as an input into this summit and discuss with you over the course of the next three days.

To conclude, I am convinced that the Summit will be successful and that implementation of the outcomes of the Summit will better enable Nepal to tackle the challenges and achieve further development. Once again, I wish you all the best for the successful conclusion of the Summit.

*Horst Ammann*

Horst Ammann  
Programme Manager  
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH  
Inclusive Development of the Economy (INCLUDE)

**THE SECOND** edition of the Microfinance Summit is going to be held on February 14-16 in Kathmandu.

The summit — with the theme 'Microfinance for Inclusive Economic Growth' — aims to discuss on how to increase funding for the microfinance sector to improve client retention for microfinance services while simultaneously improving the livelihood of existing clients with entrepreneurial skills; how to make microfinance more inclusive towards excluded groups, the formal financial sector, and the macroeconomic framework of Nepal; how to properly govern Microfinance institutions so that they can not only reach their intended target markets in rural areas, but also provide them with sustainable microfinance practices; how to eradicate the burdens of poverty such as a lack of access to health-care and education through the incorporation of savings and insurance schemes with microfinance practices; and how to improve credit schemes and creating a model for value chain finance in microfinance in cooperation with commercial banks so as to improve the sustainability of the microfinance sector.

The goal of the Microfinance Summit Nepal 2010 is to unite microfinance stakeholders in Nepal and ensure microfinance for inclusive economic growth. It also aims to improve and increase outreach to all households in need of microfinance services with the development of a joint microfinance strategy and action plan.

The second summit also aims to facilitate a broad dialogue among all stakeholders involved in the field of microfinance: policymakers and regulators, public institutions concerned with the microfinance sector — including govern-



ment-owned banks, microfinance practitioners, commercial banks and interested financial sector institutions — including insurance agencies, remittance service providers, technical support providers and training institutes, and international donors.

It aims at discussing the issues for further development of the sector and to develop strategies to overcome any shortcomings; share information on current microfinance practices in Nepal and provide participants with up-to-date information on experimental trends and innovations — both technical and strategic — in the national and international microfinance sector; encourage policymakers to adopt recommended policies in order to improve the effectiveness of the microfinance

sector in the national development strategy; showcase the achievements of Nepal's microfinance sector and the commitment of its stakeholders through a presentation of the results of the summit at the Global Micro-credit forum.

Microfinance has been one of the effective tools for poverty reduction in the developing countries. Despite ongoing development efforts, poverty remains rampant in Nepal with approximately 31 per cent of the population living below the poverty line. The incidence of poverty is highest in remote and rural areas. Through the creation of sound microfinance institutions and systems, poor people can safely deposit money and accumulate funds for future investments or emergencies as well as access loans for productive pur-

poses leading to higher incomes. Microfinance also produces an impact in other areas including good governance, participation in the political processes, women empowerment, social inclusion, and conflict transformation.

Currently, more than 1.6 million individuals in the rural population have access to microfinance services. This figure represents approximately eight per cent of the population and approximately 26 per cent of the people living below the poverty line.

However, the outreach of sustainable and sound microfinance institutions to the rural and urban poor must be increased to obtain more effective statistics and further diminish poverty.

The summit is also expected to bring a series of outcomes.

## Flashback-2008

**The Microfinance Summit Nepal 2008 was inaugurated by Honorable Finance Minister Dr Ram Sharan Mahat at the Hotel Hyatt Regency, Kathmandu Nepal on February 14 2008. Microfinance practitioners, donors, Government of Nepal agencies, policymakers, resource persons and others were present on the occasion.**  
**The first Microfinance Summit 2008 focused on five thematic topics:**

- Innovative technologies and operational models best suited to reach the different societal groups (i.e. mobile banking, e-banking,) and the strategies that are most appropriate in increasing outreach (ie What models are best suited to serve the hill areas? What is the future role of commercial banks in microfinance?);
- Innovative products and services requested by clients and which are technically feasible in the Nepal context as well as missing products and services that would be useful in increasing the outreach and sustainability of MFIs (ie micro and agriculture insurances; migrant savings and alternative investments; renewable energy and microfinance networking services);
- Social inclusion strategy and targeting of

client needs should address the requirements of the different segments of society with a special focus on what contribution microfinance can make towards building a peaceful and conflict-free Nepal; and how MFIs plan to include children, youth and women as their target clients;

- Policy issues and microfinance industry promotion need to be addressed by the Government in order to build a strong and inclusive microfinance industry (i.e. What should the role of INGOs be in sectoral promotion? What are the policy barriers? What should be done to expand microfinance services? What is the current state of microfinance as seen from the mapping of microfinance institutions?)
- Inclusion and sustainability issues need to be discussed and defined (ie What are the ways in which the social performance of MFIs can be measured to promote social inclusion strategies? Whether social investors are required to increase their financial self-sufficiency and inclusion at the same time? What is the need for business development services to sustain the business of MFI clients so new loans from MFIs can be made? How can a community managed revolving fund effectively?)



## GTZ INCLUDE – SNAPSHOT

**THE INCLUSIVE** Development of the Economy (INCLUDE) Programme — a cooperation project of the Government of Nepal and the Federal Republic of Germany — is jointly implemented by the Ministry of Industry (MoI) and the German Technical Cooperation (GTZ). It is intended to create jobs and income opportunities in selected regions of Nepal and thereby help steer the country towards a more peaceful and prosperous future.

The overall objective of the programme, 'Inclusive Development of the Economy' is the framework conditions for balanced and socially fair economic growth are improved in selected programme districts. The GTZ INCLUDE Programme approach includes linking partners from the private (business and banking) and public sectors as well as civil society in order to improve the framework conditions for economic development in selected programme locations. We are aiming towards improving employment and income possibilities across society within these programme locations with a special focus on disadvantaged groups. It supports financial institutions in developing new financial products especially geared towards the need of disadvantaged groups. Through its integrated local and regional Economic Development approach, it aims towards increasing the number of disadvantaged persons accessing financial products.

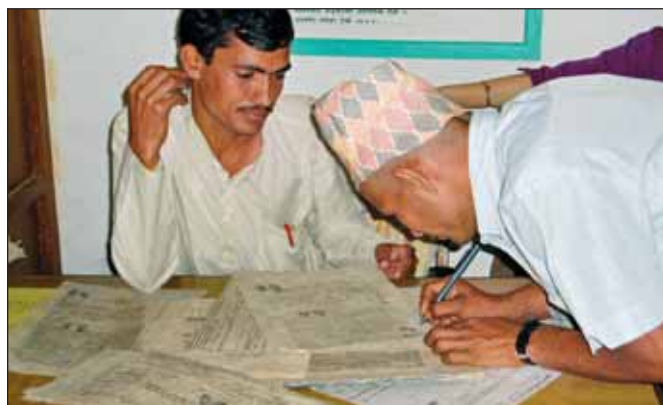
The programme anticipates a decrease in unemployment and/or underemployment amongst different groups, particularly women, youth, ethnic minorities and/or lower castes, in the selected loca-

tions/regions. An increase in household income of disadvantaged families in the selected sectors of the selected locations/regions. Positive trends in new business opportunities and employment opportunities, availability of financial services for micro, small and medium-sized enterprises (MSMEs), availability of other relevant services for MSMEs, and decrease of 'red tape' and other administrative obstacles for businesses as well as engagement of the private sector for social activities.

The developed common vision of the district further serves as a reference for the planning of activities in the eight intervention areas. Our programme staff supports the local stakeholders in the districts - representatives of the public, private as well as civil society sector - in this planning process. They assist in coordination matters and facilitate the implementation of activity plans of the partners in the districts providing technical expertise and advice.

Thereby, the specific strategy of each district reflects an individual comprehensive choice of measures and activities that is most suitable for the inclusive economic development of that particular district. The cooperation among the local stakeholders is based on a common goal: to increase local and regional capacities to foster employment and income generation especially for disadvantaged groups.

In cooperation with the respective local Chamber of Commerce and Industry Programme Support Offices of INCLUDE were set up in three districts.



## This year's theme

- **Value Chain Finance:** What are the potential products and services that should be focused in value chain finance and what are the specific aspects of the business model that should be modified to efficiently serve the microfinance sector? Innovative products and services that are demanded by the clients and technically feasible in our context will be discussed. How helpful are these products and services in increasing outreach and sustainability of MFIs.
- **Clients and Protection:** How can we ensure that individual microfinance clients optimize their output and receive the most

possible benefits from our services? What are the steps we need to take to ensure the wellbeing of clients and prevent client duplication?

• **Sources of Fund:** What services can be used in the sector to facilitate its capital growth, increasing its overall service capabilities, to improve the overall impact of the sector. What are the challenges and opportunities of services such as wholesale funds in this context?

• **Competitiveness:** What can be done to increase the involvement of commercial banks in microfinance and would it really be beneficial?



## Cooperatives movement brings change

**THE** cooperative movement has brought about a sea change in rural economy, said Horst Ammann, Programme Manager, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH-Inclusive Development of the Economy (INCLUDE), one of the lead contributors to the second Microfinance Summit Nepal 2010. "Cooperatives are doing good at the primary level," he said adding that at the secondary level it has to be re-worked with access to finance. Without broad access to finance, inclusive economic growth cannot be achieved," he said.

"Without cooperatives nothing can move in rural areas," Ammann added. "Apart from access to finance, it should be capacitated and supervised."

The German agency had also supported the first microfinance summit in 2008 that has proven a successful tool in uniting microfinance stakeholders in Nepal and abroad towards building a strong and inclusive microfinance sector. His organisation has helped found many cooperatives, helped manage them and also trained small farmers' cooperative system that provides financial and non-financial services. It was GTZ that helped form Small

Farmers Development Bank. Though they are doing good, the movement needs another look. "An independent federation of cooperatives would make sense," he said adding that the government can play the role of regulator. The government should give them space for their development and not interfere.

However, Ammann was upbeat about the summit. "We are also looking forward to share experiences from GTZ INCLUDE's programme approach in 14 programme districts of Nepal. We will present our lessons learned vis-à-vis a 'business model for value chain

finance through cooperatives' as well as 'linking entrepreneurship development with microfinance clients'. We are also looking forward to the input of stakeholders," he added.

He also called for strong and united messages from stakeholders of the microfinance sector. "We are looking forward to answers to open issues like deprived sector lending, how microfinance can contribute to inclusive growth in Nepal, increasing access to financial services in remote areas and to disadvantaged groups, the missing middle, the commercialisation of microfinance institutions and what more roles

cooperatives can play."

Philipp Kruschel, Senior Advisor to GTZ INCLUDE, said he was happy to support the summit. "The summit is a unique opportunity to bring together a broad range of microfinance practitioners with representatives of the public sector as well as development partners here and abroad and jointly develop a vision for the future," he said adding that it would be a great chance to discuss the opportunities for and challenges to the microfinance sector in the light of much-needed inclusive economic growth in Nepal.

For inclusive economic growth, education is a must.

"The basic concept of cooperatives is to educate," Ammann said adding that people should understand the value of education. "To push for education, the government has to support and protect the movement."

The educated mass can be involved in economic activities and by delivering financial services to people in rural areas the lower income strata can be brought within the ambit of economic activity.

"Inclusive economic growth can be achieved if the 'missing middle', which neither has access to micro credit nor to services of commercial banks, will not be left out of this process."