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Microfinance as an Instrument of the
Austrian Development Co-operation

Synopsis of the Country Studies in Zimbabwe,
Mozambique, Namibia and Uganda

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1 Austrian Microfinance Policies and Strategies

1.1 The Policy Framework

For Austrian Development Co-operation (ADC), microfinance is one of the four policy instruments for the development of micro, small and medium enterprises (MSME). The other three instruments are technology promotion, support to associations, and consulting, education and training. The framework for microfinance interventions is set by Austrian Development Co-operation policy papers at three levels: The Three Year Programme of Austrian Development Co-operation, the overall MSME sector policy and the MSME country sector programmes as part of the relevant country programmes.

The Three Year Programme sets the general agenda. The overall MSME sector policy identifies the basic principles for the promotion of MSMEs, serves as a basis of decision-making with regard to the preparation, evaluation and approval of the country-specific MSME programmes, and is the basis of co-ordination within the sector. The sector policy is prepared by the MSME sector consultant on the basis of the relevant international and Austrian experiences. The sector policy is first discussed and agreed upon within the Ministry and then presented to and discussed with all MSME stakeholders in Austria, i.e. NGOs, private firms and individuals interested in microfinance. One of the objectives of the evaluation of microfinance as an instrument of Austrian Development Co-operation has been to provide input to the new sector policy, which is currently prepared by the sector consultant. As integral part of the MSME sector policy, two handbooks for the planning and implementation of savings and credit programmes have been prepared by external consultants, which give more concrete guidelines for microfinance interventions.

The MSME country sector programmes are developed for a period of three years and revised annually. They address the framework conditions, in terms of socio-economic context, relevant government policies, the state of MSMEs, sector-

relevant institutions, and the target groups and the partners. These issues are then discussed in more detail in the context of the focal countries of ADC. Finally, the country sector programmes address the specific strategies of Austrian Development Co-operation in the MSME sector, including past and planned interventions. The programmes are developed through an interactive process with participation from the country sector consultant, the sector consultant, the local government, the relevant project promoters and the desk officer. This process includes a workshop in the country to which all stakeholders are invited. While most of the co-ordination and preparation of the country MSME programme is the responsibility of the country sector consultant, the programme still has to be endorsed by the MSME sector consultant and by ADC head office before being released as an official document.

1.2 Application of Austrian Policies and Strategies

The MSME sector programme, the handbooks and country sector programmes are very clear about their function and are also in accordance with the international microfinance discussion, with some exceptions that will be discussed further below. In the course of the evaluation, the evaluators gained the impression that some uncertainty and inconsistency exists in the interpretation of specific terms used in the field of microfinance. Based on interviews with Austrian microfinance stakeholders, the evaluation team therefore suggest possible definitions for the three most important terms: policy, programming and steering.

- **Policy** refers to the guidelines and principles of microfinance as laid down in the sector policy and the two handbooks. For example, policy defines target groups and outlines the methodological principles to be followed.
- **Programming** refers to the implementation of the policy in the country context as laid down in the country sector programme. This includes the definition of the focal countries of Austrian Development Co-operation and the identification of the interventions. Microfinance programmes have to be coherent with the sector policy as well as with the country (sector) programme.

- **Steering** refers to the concrete engagement of the implementing agency as well as the donor with reference to the project cycle management. This includes the process of budgeting, monitoring and evaluation. For example, in the case where agreed targets are not attained, it is the responsibility of the donor and/or the implementing agency to hold the organisation accountable.

The inconsistent interpretation of the above mentioned terms among the Austrian microfinance actors¹ may be due to the fact that the basic principles of policy making and implementation are not discussed across a broad platform. Especially outside the Ministry, the implementing partners are not always sure how Austrian policies are prepared, what they contain, and how they should be applied. The consequences of this deficiency will be discussed in the following chapters.

Country sector workshops with participation of all microfinance stakeholders are a praiseworthy aspect of Austrian Development Co-operation methodology. They give participants the opportunity to voice their opinion and are usually perceived very well. However, in some cases the follow-up to these workshops has been deficient. Participants have not been sufficiently informed about the outcome of these exercises and the final programme has not always been distributed to all stakeholders, resulting in inefficiencies and a lack of transparency of the policy and programming process.

Country sector programmes, that have already been endorsed internally, have sometimes not been officially released but only distributed on an informal basis, most likely in order to avoid a broad based and time-consuming discussion. The quality and frequency of dialogue inside the Ministry (including the desk officer, sector consultant and the country sector consultant) and between the Ministry and the implementing agencies has depended to a great extent on personal issues, such as individual commitment and rapport between the actors involved. A systematic and concerted discussion on policy issues, involving all microfinance stakeholders in Austria, has so far not taken place. This seems to have had a negative impact on the performance of some MFIs and the whole Austrian Development Co-operation system. In the second part of this report, the underlying structural reasons for this deficiency will be discussed in detail.

¹ [The term Austrian microfinance actors includes Ministry staff, consultants, implementing agencies, project partners and partner governments.](#)

As far as the application of the guidelines for the planning and implementation of microfinance interventions – outlined in the international and Austrian policy papers – are concerned, the evaluators came to the conclusion that in some microfinance programmes these principles have been fully applied, while in others several key principles have been ignored. As will be examined in the following chapters, the application and/or non-application of basic microfinance guidelines and good practices has had a tremendous impact on the performance of the MFIs involved.

2 Comparative Analysis of the MFIs supported by Austrian Development Co-operation

As mentioned in the introduction, the evaluation of microfinance as an instrument of Austrian Development Co-operation entailed three different phases, conducted in four countries, with three different foci (institutional, structural and contextual). The institutional information presented here derives from programme visits in 1999 and 2000. Zambuko Trust and ZWFT were assessed in early 1999, CRESCE, MICRED and COSEDA in early 2000, and FINCA Uganda, PRIDE Uganda and FOCCAS in late 2000. The evaluators are aware that in most MFIs the picture has changed in the meantime – in some cases quite dramatically. The time available for the institutional assessments of the MFIs has been rather limited (1-4 days per institution). Thus, the depth of these appraisals has not been as profound as in evaluations that concentrate on institutional issues only. Moreover, for reasons of confidentiality, this synopsis report does not disclose all MFI-specific information and data collected during the assessments.

Table 1: MFIs supported by Austrian Development Cooperation

MFI	Country	Year of establishment	Methodology	No. of clients	Percent of women borrowers	Portfolio at Risk (> 30 Days)	Sustainability
FINCA	Uganda	1992	Village banking	23.500	100%	2%	Full financial sustainability
PRIDE	Uganda	1995	Adjusted Grameen type	24.500	63%	2%	Close to operational sustainability
FOCCAS	Uganda	1995	Village banking with education	7.500	100%	Approx. 20%	Approx. 50% operational sustainability
CRESCE	Mozambique	1996	Solidarity group lending (some village banking)	1.300	30%	1%	40-45% operational sustainability
MICRED	Mozambique	1998	Adjusted village banking	400	Approx. 25%	80-95%	n/a (very low)
Zambuko Trust	Zimbabwe	1992	Solidarity group lending, village banking (Opportunity Trust Bank methodology) and individual lending	15.000	79%	18%	89% operational sustainability
ZWFT	Zimbabwe	1989	Solidarity group lending	1.500	100%	8%	76% operational sustainability
COSEDA	Namibia	1997	Adjusted village banking	630 ²	87%	80-95%	1% operational sustainability

FINCA Uganda has been an active microfinance institution in Southeastern and Central Uganda for almost eight years. Since 1995, when FINCA Uganda had only 1,200 clients, the institution has grown into a market leader in the microfinance sector working with over 23,000 clients within over 800 village banks. Most clients value the services offered by FINCA, considering the organisation as honest, stable, caring and competent. FINCA has a good reputation with strong brand recognition and a competitive market position. While the ownership and government issues still leave room for improvement, most observers agree that FINCA Uganda's success can, to a

² Out of the 630 registered clients, only 360 were active, i.e. had outstanding loans

large extent, be attributed to intensive capacity building and strong leadership on the part of the former and current country director. FINCA Uganda has almost continuously increased its yield and its net operating margin. It is now consistently generating a net surplus. Facing stiff competition in some parts of the country, FINCA has responded by listening to its clients and broadening its product range to reach clients both up-market and down-market from its original village banking product.

PRIDE AFRICA began operations in Uganda in late 1995 and has established 20 branches and 3 sub-branches since then, now serving almost 25,000 clients. PRIDE is one of the largest and most successful MFIs in Uganda. It has an international East-African-based parent company, an aggressive expansion policy, a rigidly-practiced single-product methodology, a business focus on urban areas and micro-enterprise owners, and a long-term ambition to become a bank. Portfolio at risk varies between branches, but with an average of 2%, PRIDE is one of the best performers in Uganda. Like other MFIs in Uganda, PRIDE is facing growing competition in urban and peripheral urban areas. Together with high client exit rates, this trend creates pressure to develop new, more flexible lending and possibly (once licensed) savings products.

FOCCAS started operations in 1995, providing micro-credit with education to the rural poor in Eastern Uganda. The programme receives substantial support from the international organisation Freedom From Hunger, which has also developed the methodology. Besides receiving loans and being able to save, FOCCAS, female only, clients are also instructed in hygiene, health, child care, and entrepreneurship. In 1998, when the programme was moving towards sustainability, a major management crisis severely curtailed the programme's growth. After recovering from the shake-up, FOCCAS has re-established itself and now has about 7,500 clients. However, FOCCAS is still very far from becoming operationally self-sufficient. The organisation's main challenges seem to be, first, its unclear ownership and governing structure, and second, keeping the costs of serving the rural poor with credit plus education at an economic level.

Implemented by CARE Austria in collaboration with CARE Mozambique, **CRESCE** started its lending operations in Chi-moio (central Mozambique) in July 1996. CRESCE is providing simple standard loan products with terms and conditions that clients can easily understand. The programme applies its credit policies and procedures with rigorous discipline and has

been able to establish a common understanding about the basic lending principles among its staff and clients. CARE has invested considerably into capacity building and staff development and has provided valuable institutional back-up through its CARE Mozambique country office. With 1% portfolio at risk and 40-45% cost recovery, CRESCE displays very good performance for a programme of its age and size in comparison to other microfinance programmes in the country and the region. Although CRESCE has the intention to become an independent local institution and has made some important strides in that direction, the creation of an appropriate ownership and governing structure is still the greatest challenge facing CRESCE at the moment. Due to the financial constraints of the Government of Austria (GoA), as well as communication problems between CRESCE/CARE and the GoA, the Austrian funding ended in June 2000. CRESCE and CARE Mozambique found DfID as a new long-term partner.

MICRED disbursed its first loans in the rural district of Buzi, which is the core district of Austrian Development Cooperation in central Mozambique and is characterised by little economic activity. As a direct result of the non-application of established credit policies and procedures and the leniency towards clients in case of delinquency, MICRED group members have little understanding of their roles and responsibilities and the programme faces massive repayment problems (approximately 67% of the loan portfolio is at risk). MICRED's management information and accounting system turned out to be inadequate for loan transaction control as well as for expenditure control, allowing an on-going fraud to go undetected for an extensive period of time. MICRED's poor performance is closely related to its management structure, which was not adequate to meet the challenges of starting-up a microfinance project. The budget vastly underestimated the amount of input needed in terms of know-how, capacity building, and supervision. In summary, MICRED has not only lost a significant amount of the money provided by Austrian Development Cooperation, but it has also contributed to a further deterioration of the already weak credit culture in Buzi.³

Zambuko Trust was established in Zimbabwe in 1992 by a group of businesses, community and church leaders and, af-

³ [The evaluation team recommended either to increase, dramatically, technical assistance to MICRED, turn MICRED into a pure savings programme, or phase it out. In late 2000, the Government of Austria decided to phase MICRED out.](#)

ter a period of slow growth until 1996, has expanded to 24 branches by the beginning of 1999. With 15,000 clients it is the largest MFI in the country, and at 79% operational sustainability is also the most self-sufficient. Rapid expansion has over stretched the organisation and performance has suffered, with increasing arrears and portfolio at risk (18%). Management has been aware of this and is focusing on improving delinquency, restructuring at head office and branch level, and introducing a fully computerised management information system. Zambuko Trust's approach to lending is not entirely clear, with traditional solidarity group loans and individual loans alongside a third system, Opportunity International's women's' trust bank methodology. Despite improvements and good performance in some areas, Zambuko Trust still has some way to go, particularly in terms of loan officer skills and supervision of their performance, management information systems, clarity of lending methodology and loan portfolio performance.

ZWFT was established by a group of Zimbabwean women in 1989. It was a weak organisation during its early years, but from 1996 onwards benefited from intensive capacity-building support delivered by CARE Zimbabwe, funded in part by Austrian Development Co-operation. At the time of the evaluation (early 1999), ZWFT had improved its systems, methodology, and professional practice enormously, although its performance was a little below industry standards, and it was still a small organisation. It has 1,500 borrowers, 5,000 depositors, a portfolio at risk of 8%, and an operational sustainability of 76%. The main issue at ZWFT in early 1999 was corporate management, which, in the opinion of the evaluation team, was a major reason for the shortage of donors' capital. The organisation has never held an AGM during its ten-year existence, the board were all appointees of the founder chairperson, as was the managing director, who was also the daughter of the chair.⁴

COSEDA was established as a provider of free business services in 1991. Due to limited success, it was transformed into a microfinance institution, disbursing the first loans in October 1997. Although some of COSEDA's lending policies and procedures remain unclear and even contradictory, the major

⁴ Since the evaluation, the team's fears about management issues have been borne out, with ZWFT suffering (virtual or possibly complete) collapse, not through any technical incompetence on the part of its field staff.

shortcoming of the programme concerns the non-application of the established credit rules and procedures. Without consolidated and updated portfolio reports available, the evaluators estimated that at least 80- 95 % portfolio are at risk. In the last quarter of 1999, the organisation's cost recovery dropped to 1.3%. The main reason for COSEDA's poor performance is that programme staff do not live up to their responsibilities. In particular, supervisory and monitoring duties have been neglected by management and the Executive Director. The evaluators believe that the main reason behind COSEDA's failure is the insufficient amount of training and technical assistance the organisation has received from the very beginning.⁵

3 Key Elements of Successful MFIs – Lessons from Austrian Interventions

As interest in microfinance has soared over the past decade, so has microfinance research, development and policy formulation, reflected in the production of scores of publications and guidelines on how to apply the instrument in an efficient and effective way. More recently, a broad consensus among practitioners, policy makers and donors has been established about the most promising microfinance principles and practices, laid down in numerous documents.⁶

As outlined in international research and policy documents, the key elements responsible for the success of microfinance institutions – defined in terms of outreach, financial sustainability and/or socio-economic impact – include:

⁵ [The evaluation team came to the conclusion that COSEDA can only be turned around if technical assistance to the organisation is greatly increased. Austrian Development Co-operation decided in late 1999 to cease supporting COSEDA.](#)

⁶ [See, for example: Committee of Donor Agencies for Small Enterprise Development and Donor's Working Group on Financial Sector Development: "Small and Microenterprise Finance: Guiding Principles for Selecting and Supporting Intermediaries"; or various CGAP publications \(www.cgap.org\)](#)

- An enabling environment, including macroeconomic and social stability, responsible financial sector policies, legal enforcement, sufficient small economic activities, high population density, functioning input and output markets, etc.
- Understanding and adapting to the local context
- Vision, mission and objectives that create a sense of purpose and lead the way forward
- Clear and strong ownership, government and management
- Well-trained human resources and effective staff performance incentives
- Accurate and effective operational and management information systems
- Simple and properly priced financial services adapted to the local context and in high demand by the clients
- Stringent delinquency control
- Emphasis on savings mobilisation services
- Focus on operating efficiency
- Financial discipline
- Responsible donors pursuing coherent policies
- Attracting commercial funds from depositors, lenders and investors

At policy level, Austrian Development Co-operation has been committed to engage in the international discussion and translate the international experience into its own microfinance policies. The MSME sector policy, as well as the two microfinance handbooks, are in line with recent research findings and established guidelines. Through a number of activities, which include the preparation of the handbooks, the active participation of the sector consultant in international microfinance forums, contributing to the development of the Ugandan microfinance industry through the MSME country sector consultant and his/her support strategies, and commissioning the present broad-based microfinance evaluation, Austrian Development Co-operation has contributed to the international microfinance discussion and to the advancement of the instrument.

However, as can be seen from the brief programme descriptions in Chapter 2, the application of the above-mentioned success factors on the ground, i.e. in the MFIs supported by Austrian Development Co-operation, is less consistent. In

some cases the microfinance institution, as well as the other stakeholders involved (donors and implementing agencies) have been dedicated to build successful institutions and employ better practices, but in other cases a number of key principles have been ignored.

The main finding of this evaluation is that it pays to select operators with a strong organisational base of support and know how. Those MFIs that have made use of the learning process that has gone on around the world and that have translated the internationally established better practices into their own operations, like CRESCE in Mozambique and FINCA and PRIDE in Uganda, have performed very well. Those programmes that have neglected these practices, like MICRED in Mozambique and COSEDA in Namibia, have performed exceptionally badly. MFIs that have applied good practice in some areas and failed to do so on other areas, like Zambuko Trust and ZWFT in Zimbabwe and FOCCAS in Uganda, had mixed performance indicators at the time of the evaluation.

In the MFIs evaluated, different factors have contributed in different ways to their success or failure. For example, the poor performance of the microfinance programmes assessed has, at least partly, been due to the non-employment of basic microfinance management tools, like tracking of operational and financial performance, liquidity management, fraud control, etc. As a lot has already been said and written about these subjects, this synopsis report only refers to the publications listed in the bibliography. However, the evaluators came to the conclusion that there are usually underlying reasons why MFIs apply or fail to apply better practices.

These reasons include structural factors of Austrian Development Co-operation, which are dealt with in Part II of this report, as well as other factors like the amount of technical assistance received and the behaviour of donors, which will be discussed in the following chapters.

4 The Role of Contextual Factors in Microfinance

Within the evaluation cycle, some emphasis has been put on the analysis of the operating environment and its impact on microfinance activities, particularly during the final stage in Uganda.⁷ A closer look at the context of microfinance in Uganda has been especially rewarding for two reasons. On the one hand Uganda is seen as the country with the most vibrant and successful microfinance industry in Africa.⁸ On the other hand most observers agree that the success of microfinance in Uganda is closely linked to a number of enabling contextual factors specific to the country.

In general terms, the success of a microfinance programme depends on an interaction between the characteristics of the programme itself (both its design and the way it is managed) and the context in which the programme is implemented. The programme environment can influence the success and impact of microfinance interventions in two distinct ways. Firstly, socio-economic conditions may affect both the ability of clients to benefit from their loans and their capacity to repay. Secondly, the environment directly influences the operation of the programme itself, for example by restricting the possible range of programme activities or the terms on which services can be offered (Snodgrass 1997).

The following list of factors, which foster the successful implementation of microfinance programmes and the establishment of a healthy microfinance industry, mainly derive from the analysis of the operating environment in Uganda. However, findings from Zimbabwe, Mozambique and Namibia are also included.

⁷ Operating environment, as defined in this study, refers to everything that is outside a microfinance institution.

⁸ While four to five years ago only a few moderately performing MFIs existed in Uganda, the country is today endowed with about 100 MFIs, of which more or less 10 are reaching a considerable number of clients (between 8.000 and 45.000 clients per institution). These are moving towards financial sustainability or have already surpassed it, and have a proven positive impact on the clients.

4.1.1 Favourable socio-economic conditions

Macroeconomic and political stability as well as economic growth make micro enterprises and consequently microfinance services more viable. A relatively low inflation rate has certainly helped the MFIs examined in this evaluation to put their business on a more stable footing. However, recent reports from Zimbabwe indicate that hyper-inflation severely constrains local MFIs and their clients.

Economic growth, an enterprising population, social cohesion and high population density are also factors favouring microfinance success. In Uganda, for example, most MFIs are mainly operating in urban and peripheral urban areas, where a large and growing pool of micro and small enterprises exists. Yet, in the case of CRESCE, possible constraints resulting from the presumed low social cohesion in Mozambique were apparently minimised through a well designed and strictly implemented solidarity group methodology.

In the case of MICRED, the minimum conditions for the implementation of a microfinance programme seem to have been missing. The local economy, mostly rural based, appeared to be more stagnant than growing and activity in the local markets was very slow. Moreover, basic social and economic infrastructure, such as year-round accessible roads, were lacking.

4.1.2 Responsible financial sector policies and government commitment to microfinance

Interest rate restrictions usually undermine an institution's ability to operate efficiently and competitively. MFIs need to price their loan products to allow for full cost recovery. In none of the countries visited were interest rate limits in effect, and thus MFIs were able to charge rates as they deemed necessary.

Financial sector reforms, including bank privatisation and cessation of subsidised and mandated sectoral credit allocation programmes, have in some countries, set the stage for emerging microfinance activities. In central Mozambique, for example, a number of banks have opened new branches as a direct result of the financial system reform. In Mozambique,

formal banks usually still do not extend credit to micro entrepreneurs, however, many CRESCE clients have opened savings accounts. Moreover, the growing network of banks facilitates CRESCE's own financial operations and makes them more secure.

Although the reform of the Ugandan financial system has shown some positive results, the reform and the concurrent drive for prudent operations and efficiency also triggered closures of some banks and bank branches, which cut off the fast growing micro and small enterprise sector from access to financial services. Yet this gave microfinance institutions the chance to fill the gap and expand rapidly from the mid-1990s onwards. Microfinance came to be viewed as the most obvious vehicle for delivering financial services to the urban and peripheral urban low-income earners as well as to the rural population.

In none of the countries examined has a stringent microfinance regulation and supervision been in force. The government policy of non-interference seems to work well in the early stages of microfinance development. However, as soon as the industry is maturing, as it is currently doing in Uganda, a legal framework that protects depositors and is responsive to the needs of existing MFIs at the same time has to be developed. The role of the government will be discussed in more detail below.

4.1.3 Donors committed to good practice

Because donors are still the primary funders of microfinance activities, the approach they take to microfinance and the requirements they set for MFIs to access funding greatly affects the development of individual institutions and the field as such. This evaluation has demonstrated that donors and their practices have a significant impact on the performance of MFIs. The role of donors will be assessed in more detail in Chapter 7.

4.1.4 Effective stakeholder co-ordination

The example of Uganda clearly demonstrates that co-ordination among stakeholders, including practitioners, capacity builders, government and donors, can be beneficial to the development a healthy national microfinance industry as well

as to the performance of individual MFIs. In Uganda, stakeholders meet regularly in different co-ordination forums; seminars, workshops and exchange visits have been held; joint initiatives like the development of uniform performance indicators and reporting standards are under way; etc. Thus, stakeholders have increasingly learnt to listen to each other, learn from each other and co-ordinate and co-operate. In other countries, where the scope of co-ordination is much smaller, stakeholders do not know enough about each other, have no opportunity to learn from each other, and sometimes even follow contradictory strategies – to the detriment of national microfinance industries and their clients. However, it should be emphasised that strong stakeholder co-ordination is usually as much a result of strong MFIs as vice-versa.

4.1.5 Healthy competition among microfinance providers

In Uganda, growing competition has proved to contribute to the creation of a vibrant microfinance sector. It has forced microfinance institutions to become more responsive to clients' needs, pay more attention to service quality and to engage in the development of new products. In other countries, the MFIs assessed do not face competitive environments yet, but those institutions that survive will probably have to compete against other providers of microfinance services sooner or later.

5 Technical Assistance and Capacity Building

One of the principle findings of this evaluation is that MFIs need substantial amounts of capacity building and technical assistance in order to become viable institutions able to serve large numbers of clients on a permanent basis. Building MFIs is hard work and requires a relatively high level of technical knowledge. Access to technical assistance allows MFIs to take advantage of the long learning process that has gone on around the world.

For FINCA, PRIDE and CRESCE, their links to and support from international organisations with deep experience in mi-

crofinance (FINCA International, PRIDE Africa and CARE) has been critical for their success. These organisations have provided crucial input in terms of accountability, capacity building, human resources and exposure to international experiences to their affiliated MFIs. National capacity builders have provided additional training and technical assistance to FINCA and PRIDE, increasing their knowledge about best practice and improving their skills to apply these.

CRESCE in Mozambique is a good example of how to build capacity in a sustainable way, even without the help of national capacity builders. CARE (CARE Mozambique with support from CARE Austria and CARE International) has done a good job of balancing the need for experienced technical advisors to work closely with the programme against the need for giving local staff responsibility early on. It has been careful to use its technical advisors as capacity builders rather than as substitutes for local staff. For the first three years, CARE provided an on-site technical advisor and several short term technical assistants in various key areas. By the end of this time, the branch manager had developed sufficient capacity to run the operation on a day-to-day basis, leaving the technical advisor free to focus on longer term development issues and move to a city five hours away from the programme.

The contrast to MICRED and COSEDA could not be starker. In both cases, the amount of input needed in terms of know-how, capacity building, and supervision has been grossly underestimated. The project managers of both programs did not have the kind of experience and expertise needed to establish a new MFI, nor did they receive sufficient training and technical support during implementation. Moreover, in both cases the implementing agencies did not provide sufficient monitoring and supervision to detect the lack of human capacity and the deficiencies of the programmes early on.

For the evaluation team these differences were somewhat surprising. On the one hand CRESCE and MICRED were both supported and to some extent also monitored by Austrian Development Co-operation in Mozambique, on the other hand both CRESCE and COSEDA were projects implemented by CARE. It seems that the success of CRESCE can mainly be attributed to a strong technical advisor and an effective national CARE back-up structure, which provided good technical support and monitoring. However, Austrian Development Co-operation was apparently not in favour of the use of long term expatriate advisors. This suspicion of extensive technical support was also translated into the design and budget of

MICRED, where little emphasis was put on building a strong human resource base and a viable institutional structure.

As far as COSEDA is concerned, the poor performance of the programme and the failure to detect capacity deficiencies earlier can, at least partly, be ascribed to insufficient budgeting for technical support and the lack of a competent national CARE back-up structure in Namibia. The CARE country technical advisors were either not long enough in office and/or did not have sufficient microfinance know-how to assume their support and monitoring roles effectively.

In Zimbabwe, the picture is also somewhat mixed. ZWFT was making the transition from a struggling to a maturing organisation as a direct result of technical assistance from CARE Zimbabwe, funded by the Austrian Government. However, no emphasis had been placed on the critical issue of corporate government. Austrian Development Co-operation did not insist on ZWFT reaching international standards in this area and funded significant technical assistance for ZWFT, without obliging it to modify its opaque and undemocratic practices and management structure. This failure apparently had a destructive outcome on the organisation. The support given by Austrian Development Co-operation to Zambuko Trust mainly focussed on the expansion of operations into new geographical areas. Other areas, such as capacity building, management and systems development, received insufficient attention.

6 Sustainability and Institutionalisation

Closely linked to the issue of technical assistance and capacity building is the question of how to address sustainability and institutionalisation. Whereas the excellent performers, like FINCA, PRIDE and CRESCE, clearly followed an institution building approach aimed at full financial sustainability and transformation into commercial providers, MICRED and COSEDA lacked many of the necessary ingredients to make sustainability and institutionalisation happen. Most importantly, as outlined above, these two programmes did not receive sufficient technical support and capacity building to put them on a strong path for the future.

Moreover, what was missing in the case of MICRED was a clear commitment to both institutional as well as financial sustainability. Institutionalisation was not even mentioned as a project goal. The Austrian MSME programme for Mozambique stipulates that financial services may also be provided temporarily in rural areas. Apparently the country sector policy has adjusted to MICRED's situation as a project rather than as an institution. However, the evaluation team believes that this approach contradicts not only international best practice standards but also the overall Austrian MSME sector policy, which in principle endorses an institution-building approach.

The lack of commitment to institutional sustainability is linked to a split that continues between those in the "poverty" camp and those in the "sustainability" camp – not only in the international debate but also within the Austrian microfinance community. Yet in the opinion of the evaluators this is not an "either-or" debate. Sustainability is not opposed to poverty reduction, but is a prerequisite to reduce poverty on a relevant scale. Whoever cares about the long-term welfare of the poor in developing countries and applies microfinance as an instrument of poverty-reduction, must strive for sustainable and permanent MFIs. Sustainability maximises the outreach that the invested resources produce. Reaching more poor people, and doing so over time, is the primary justification for insisting on sustainability. FINCA and FOCCAS clearly demonstrate that it is possible to belong to the "poverty" camp and still pursue sustainability.

7 The Role of Donors

Donors are still the primary funders of microfinance activities. Thus, the approach they take to microfinance and the requirements they set for support to microfinance initiatives greatly influences the performance of MFIs and the development of the entire industry. Donors can play various roles in microfinance. First, they act as funders and supporters of individual microfinance programmes, taking on some responsibility for their performance. Second, they co-ordinate and cooperate in an effective relationship with the host government in order to gain more understanding of the environment in which they operate and also to exert some influence on this environment.

7.1 The role of donors at programme level

At the programme level, the evaluation team is of the opinion that microfinance donors should focus on the identification of competent technical implementers, either an existing MFI or an institution with a strong experience in microfinance. The primary responsibility for the design of the intervention ought to be left with the technical implementer, who should know best. Donors should neither get involved with the design nor with the implementation of microfinance programmes. They cannot lay out a master plan. They can only support, persuade, influence and demand. Choosing a good partner that has the clear potential to become a breakthrough institution is probably the most important single decision a donor can make in supporting microfinance performance. The criteria for selection should include: objectives that are compatible with the donor, a track record as a good performer, institutional factors (such as management capacity and government), outreach and services offered, portfolio quality, cost recovery, interest rates and competence of information management.

The relationship between the donor and the MFI should be business-like, based on mutual accountability, institutional performance, and shared risks. After selecting an appropriate and competent institution, an agreement between the donor and the MFI should be established that defines the rules of the game for the future relationship. The agreement should fully describe the rights and responsibilities of the parties involved, the reporting requirements, and the institutional targets against which the MFI will be monitored. Few but important performance targets, which embody the goals of both the donor and the MFI, should be determined. The partnership agreement should combine firmness about targets with great flexibility as to how those targets should be met. Even at the budget level, the donor should refrain from earmarking its funding for particular purposes.

Trigger points for suspension or termination of disbursements should be clearly stated and the donor should demonstrate credibility and willingness to suspend or terminate funding if performance falls short of targets. The MFI should be convinced that the consequences of not meeting the targets are serious. But the donor should also try to develop an intimate knowledge of the MFI and respond flexibly to true crisis situations (CGAP 1997).

Although donors should act as counsellors and invest in a strong relationship with the MFI, their main role is to monitor MFI performance and hold the organisation accountable for the results agreed upon in project targets. They should not be involved in day to day decisions. Reporting should be as simple as possible and primarily understood as a vehicle to focus both sides on the core issues. The indicators that are monitored as targets arise from the initial appraisal of the institution and/or the goals set out in the business plan. Specific target levels for each indicator over a period of three to five years should be determined through negotiations between the MFI and the donor. These targets should be set quarterly or bi-annually. While donors should insist that MFIs develop financial statements in accord with standards, no separate reporting should be required for monitoring the targeted indicators. They should be derived from the MFI's financial statements and other reports that are already produced for management purposes.⁹

7.2 Austria as a funder of microfinance activities

Austrian Development Co-operation as a funder of microfinance activities has acted in a remarkably inconsistent way. In Uganda, Austria was at the forefront of microfinance development. The Regional Bureau for Development Co-operation was one of the first donors to support MFIs in Uganda, acting in a flexible way and putting a strong emphasis on institution building. Austria's support to promising institutions with international alliances has certainly contributed to demonstrable effects. A number of MFIs have, in the meantime, replicated their model and other donors and even private (social) investors have developed interest in microfinance. Furthermore, the Austrian Regional Bureau (ARB) understood early on that an enabling environment is the key to the development of a national microfinance industry and started to invest in capacity building for the Bank of Uganda. It also supported the preparation of a rating system for MFIs (which has not been established but provided important input to the Bank of Uganda). Austria continues to fund individual MFIs and provide strategic and well-directed support to the sector.

⁹ See Annex I for minimum reporting requirements

Conversely, in the case of MICRED for example, Austrian Development Co-operation acted in a less beneficial way. As noted above, the design vastly underestimated the need for capacity building and monitoring and did not aim at turning MICRED into a sustainable institution. Moreover, the sector consultant was actively involved in the design and re-design of the programme. To compensate for the lack of capacity within MICRED and the insufficient supervision from the project holder, who had no base in Mozambique and had to rely on deficient reports and one project visit per year, the Austrian sector consultant had also been rather involved in the implementation of the project, though not directly as a manager. While the consultant's engagement may have guaranteed some minimum performance of MICRED over a certain time, this arrangement was inherently unsustainable and did not allow for the creation of a strong and independent institution.

Furthermore, the decision to implement MICRED in Buzi mainly followed geographical considerations. Buzi is the core district of Austrian Development Co-operation in Mozambique and is home to a number of other Austrian supported development projects. However, with Buzi being one of the poorest and most forlorn districts of the region, the minimum conditions for the implementation of a microfinance programme were probably not fulfilled. Expectations concerning synergies between MICRED and other Austrian supported programmes, to compensate for the poor operating environment, did not come to fruition.¹⁰ Moreover, MICRED was housed in Austrian Development Co-operation building in Buzi, and therefore its identity in the community was clearly as a donor project rather than as a distinct financial service provider.

Ensuring consistent and regular reporting from microfinance programmes and providing effective monitoring has been a weakness of most Austrian microfinance interventions. The overall MSME sector policy, the handbooks as well as the country programmes, call for regular reporting of performance indicators, including balance sheets, income and expense statements, portfolio quality indicators, and outreach information. However, as a result of inadequate and opaque agreements regarding reporting requirements and institutional targets, the relationship between Austrian Development Co-operation and some microfinance providers has not been

¹⁰ [Geographical considerations also played a role in microfinance support decisions in Zimbabwean and Namibia, but expectations regarding synergies with other Austrian supported programs were not fulfilled either.](#)

based on mutual accountability, institutional performance, and shared risks. All of the MFIs examined had different reporting standards and most of the reports produced were absolutely insufficient. Some microfinance programmes lacked an effective management information system or were not able to employ their information system properly. These MFIs were therefore not able to produce the required reports. In most cases, Austrian Development Co-operation and/or the project promoters seemed to accept this. Furthermore, most agreements between Austrian Development Co-operation and MFIs did not include clear trigger points for suspension or termination of disbursements. MFIs had therefore fewer incentives to meet performance targets. As will be examined in Part II of this report, reporting and communication deficits between MFIs and Austrian Development Co-operation seemed to be linked to structural communication deficiencies within Austrian Development Co-operation.

Another issue affecting the performance of Austrian Development Co-operation concerns the design process of microfinance interventions. In the past, microfinance activities have been initiated and designed by Austrian project promoters, often in co-operation with the country sector consultant. In the future, more microfinance activities shall be designed by the donor, i.e. the country sector consultant, and then put out to a competitive bid. This approach is supposed to guarantee the consistency with the country sector programme and to foster synergies with other Austrian interventions.

As stressed above, the evaluators believe that microfinance donors should not design programmes but should rather focus on the identification of competent technical implementers. However, the objection to donors designing microfinance programmes does not imply that the evaluators judge the procurement system, i.e. putting microfinance proposals out to tender, as not viable. Competitive bids have certainly many advantages, such as a higher level of transparency and objectivity, the possibility to learn about new partners and new ideas, and often greater cost-effectiveness. Experience demonstrates that Austrian Development Co-operation has been able to identify strong partners in other MSME areas by putting proposals out to tender.

When assessing the role of Austria as a funder of microfinance activities, the reliability of the Austrian support vis-a-vis its implementing partners also has to be scrutinised. While Austria has in most cases been perceived as a reliable and committed donor, two caveats have to be made in this re-

spect. First, the length of project cycles of one year has been identified as a constraint by many MFIs. The evaluation team believes that donors should only get involved in microfinance if they are committed to a longer-term engagement, either by supporting individual MFIs over several years or by pursuing strategies that aim at permanence, like investing in guarantee or in equity funds dedicated to microfinance or supporting the establishment of enabling national microfinance sector frameworks. Second, the severe and unexpected budget crisis that hit Austrian Development Co-operation in 1999 affected Austria's relations to microfinance institutions and other stakeholders negatively. Several MFIs were counting on funds from Austrian Development Co-operation and at least one partner organisation went through a liquidity crisis as a result of the loss of expected funding. Consequently, Austria lost some of its good reputation and standing among its partners, i.e. MFIs, donors and governments, in at least one of the countries visited.

8 Donor Co-ordination

Donor Co-ordination can take place at three levels. Firstly, in the case where several donors support the same microfinance intervention, donors can co-operate at the programme level. Secondly, it may occur at the national and third at the international level, where donors discuss and co-ordinate their support strategies. Potentially, effective donor co-ordination can be very beneficial: donors can share information and promote better practices, concentrate their scarce resources and curb duplication of efforts, develop and pursue joint strategies, and create accountability towards each other.

At the programme level, Austria has a mixed record as regards donor co-ordination. In Zimbabwe and Namibia, virtually no co-ordination took place with other donors supporting the same programmes. For the MFIs in question, this meant that communication with different donors has been cumbersome, as no common set of performance indicators and no joint standard of reporting have been agreed upon. Moreover, donors did not discuss and design a joint strategy for the support of these MFIs. This created a situation in which certain areas, like systems development in the case of Zambuko Trust, or corporate governance in the case of ZWFT, had not received enough attention at the time of the evaluation. In Uganda, by

contrast, Austrian Development Co-operation has co-ordinated its support to individual MFIs very effectively with other donors, which has been acknowledged and appreciated by all MFIs involved.¹¹

At the national level, Austria's efforts to co-ordinate their support for microfinance activities with other donors are also patchy. In Uganda, for example, the former sector consultant was very committed to co-operating and co-ordinating with donors and other stakeholders, thereby strengthening Austria's reputation as a key player in microfinance. The severe budget cuts and the non-replacement of the former sector consultant for several months weakened Austria's good standing. At the time of the evaluation, the new sector consultant had already clearly made advances as to the re-establishment of Austria's reputation by engaging pro-actively in stakeholder dialogue and other activities. However, in order to regain its full profile, Austrian Development Co-operation in Uganda also needs funds to back up the current efforts.

In Mozambique, Austria also has a Regional Bureau for Development Co-operation with a MSME country sector consultant. However, the country sector consultant has been based in Beira, the capital of the core province of Austrian Development Co-operation. He has thus hardly been able to participate in the most important forum for co-ordination, the Informal Group on Microfinance, which meets on a monthly basis in Maputo and incorporates donors, practitioners, experts, and sometimes representatives of the government. In Namibia and Zimbabwe, Austria has no Regional Bureaux and the country sector consultants only visit the countries they are assigned to once or twice a year. This makes keeping up with national developments in and outside the microfinance field as well as co-ordinating with other stakeholders very difficult. The evaluation team therefore suggests that Austria should try to concentrate its national microfinance support efforts on (1) fewer countries and (2) countries where qualified sector representations are on the ground.

At the international level, donor co-ordination mainly takes place through the Austrian MSME sector consultant. She participates at international microfinance workshops, summits and donor meetings, organises international microfinance and SME financing workshops in Austria, and communicates her

¹¹ [The microfinance institutions supported in Mozambique did not have any other funders.](#)

experiences to the Austrian country MSME sector consultants. More recently, the sector consultant has promoted the idea of Austria joining CGAP and has already participated in some meetings. CGAP serves its member donors with the goal of promoting competence among donor staff working on microfinance and co-ordinating donor efforts on the ground.¹² Maybe most importantly, CGAP membership creates accountability regarding support strategies and performance standards among member donors. However, the costs of joining CGAP have so far been an obstacle. As the performance and standing of Austrian Development Co-operation in the field of microfinance would probably increase with CGAP membership, the evaluation team supports the effort of Austria becoming a CGAP member.

In general, the evaluators came to the conclusion that donor co-ordination at all levels is useful to increase the performance of individual MFIs, foster the development of national microfinance industries, and ensure the advancement of the entire field. Donor co-ordination is especially effective if other stakeholders, like practitioners and national governments, are also involved. Uganda certainly serves as a good example where the commitment of microfinance stakeholders to broad-based co-operation and co-ordination has contributed to the development of the national microfinance industry. Especially for small donors like Austria, promoting and supporting initiatives in donor and stakeholder co-operation are viable strategies to contribute to the advancement of the field and to guarantee visibility at the same time, without necessarily investing too many resources.

9 Policy dialogue

Through policy dialogue with host governments, donors can gain an understanding of the environment in which they operate and also exert some influence on this environment. In general, donors can have some leverage in advocating policy environment issues, like establishing favourable macroeconomic conditions or an effective business licensing regime.

¹² [The services provided by CGAP include technical advice, training of donor staff, tools for donors, and developing common standards such as reporting by donors on their microfinance projects and to donors by microfinance institutions.](#)

Although NGOs and private firms involved in microfinance are in a weaker position to exert pressure on the government, they can still participate in a broad based policy dialogue.

As for donor co-ordination, Austrian Development Co-operation has certainly more insight into policy issues affecting microfinance and can be a more active advocate where it has sector consultants on the ground, than in countries where the sector consultant visits the relevant institutions and actors only once or twice a year. In Uganda, the Regional Bureau has built crucial relationships early on with key players in the ministries responsible for microfinance issues. The sector consultant also understood at a very early stage that an enabling environment is key to the development of a national microfinance industry and started to invest in capacity building to the Bank of Uganda.

In all countries visited, Austrian Development Co-operation has also tried to involve government in the formulation of the country sector programmes, which is certainly a tremendous advantage. National and local administration can identify with the interventions and support them, and Austrian Development Co-operation can voice its opinion about policy issues in this process.

However, government involvement in the provision of financial services and the design and implementation of microfinance programmes is a different story. International experience and examples in almost all countries visited by the evaluation team clearly demonstrate that governments have usually failed as microfinance providers. Too much involvement of local administration in microfinance programmes does not pay off either. This may be due to the fact that (1) the local administration has incentives to interfere inappropriately in the selection of loan clients and branch sites, and (2) that local administration cannot do very much to make good microfinance happen. In the case of MICRED, for example, a local official wanted to be bribed for supporting the project (which was obviously not conceded to this person). This does not imply that donors and implementers should not seek to cooperate with government bodies. But neither the national government nor the local administration should participate in the design and implementation of programmes providing financial services.

In general, the evaluators strongly believe that some minimum conditions must exist in order to make successful microfinance happen. In countries where policies are in place that

severely constrain sustainable microfinance provision, like harsh interest rate caps or inflationary policies, donors should abstain from supporting microfinance programmes. Similarly, in a recent broad-based study about the effectiveness of development aid, the World Bank (1998) affirms that aid only has a lasting effect in good policy environments. Thus, in countries with poor policies, donors committed to microfinance should try to enter into a dialogue with the government and support policy reforms, but not promote the provision of financial services, especially if these services are provided by government.

10 Impact and Gender

In none of the countries visited did the evaluation team conduct impact assessments which would allow for a statement on the effects of those programmes appraised on clients. In Uganda, however, a number of attempts have been made over the past years to assess what impact microfinance providers, including the three MFIs supported by Austria, are having on the livelihoods of the enterprising poor. Moreover, the evaluators have interviewed a large number of clients during the institutional appraisals and are therefore able to reveal at least some anecdotal evidence about clients' experiences with and their perceptions of microfinance services.

In Uganda, the studies carried out mainly by AIMS and MicroSave Africa establish that microfinance providers reach low-income households in both rural and urban areas, but not the poorest of the poor. Commerce is the main activity of clients, followed by agriculture, services and manufacturing. Clients of MFIs tend to cluster around the poverty line: they tend to come largely from households that can usually meet their daily needs, have access to primary education and basic health services, and have accumulated some assets. They tend to spend a high proportion of their earnings on basic needs such as food and the education of children. This group of clients are in the "comfort zone", they enjoy a relatively stable income source and sufficient livelihood diversification, allowing them to service regular repayments even when faced with small crises. However, they remain vulnerable to shocks, such as illness or death of a household member, loss or theft of a key asset, dramatic changes in prices, etc. (Barnes, Gaile

and Kibombo 2000; MFPED 2000c; Mutesasira et al 1999; Wright et al 1999a).

Those significantly below the poverty line do not seem to join Ugandan MFIs. However, critics of microfinance based on “not reaching the poorest” tend to overlook the dynamic nature of poverty. Not-so-poor households hit by severe crisis may be transformed into “poorest” households with alarming rapidity. This is why the role of microfinance in assisting in development and maintenance of robust household economic portfolios is so important for everyone who does not have access to formal financial services (Wright et al 1999). Observations of the evaluation team in Zimbabwe, Mozambique and Namibia as well as studies carried out in other parts of the world also confirm that the poorest of the poor are usually not reached by microfinance services (Cohen 1999; Hulme and Mosley 1996; Zaman 1998).

Although the impact studies carried out in Uganda over the past years have placed emphasis on different aspects, they all reveal positive impacts from participation in MFI programmes (Barnes, Gaile and Kibombo 2000; Barnes, Morris and Gaile 1998; Gaile, Duursma and Eturu 1999; Mutesasira et al 1999; Wright et al 1999a; Wright et al 1999b):

- Participation in microfinance programmes contributes to reduced vulnerability to economic risks through diversification of income sources and accumulation of durable assets.
- Participation in microfinance programmes results in strengthening linkages of clients and their households to the agricultural sector.
- Participation in microfinance programmes enables clients to acquire valued skills like savings skills and business related knowledge and skills.

As these impact studies mainly evaluated MFIs with exclusive or at least large female clientele, the results mentioned above mainly concern women. One impact assessment giving special attention to gender issues found that women clients have significantly greater positive economic impacts relative to female non-clients than do male clients over comparable non-clients. Female clients also expressed greater satisfaction with the credit and savings services provided by the bank than did their male counterparts (Barnes, Morris and Gaile 1998). Moreover, almost all clients of Ugandan MFIs are able to confirm that women that had performed management roles in microfinance groups have been elected into local government

councils. Some researchers (Goetz and Gupta 1996; Mayoux 1997) have suggested that microfinance programmes can make women more vulnerable to gender-based conflict since they often pass their loans to their husbands. This practice of giving loans to the husband to use seems to be less common in Uganda, and when done, it is usually economically rational (Wright et al 1999a).

In Uganda, most microfinance operators target women not only because they are better “repayers”, but also for developmental reasons. Lending to women is thought to benefit the whole family and strengthen the role of women in society. Moreover, women constitute the majority of micro entrepreneurs in Uganda. In other parts of Africa, this is not the case. In central Mozambique, for example, CRESCE has tried hard to target women entrepreneurs. However, since the beginning of the project women have only accounted for approximately 30% of the clients. There seem to be two major reasons for this low participation of women. Firstly, in the area where CRESCE operates women mainly focus on agriculture and female involvement in business has traditionally been low. Secondly, it seems to be difficult for women to deal with financial issues without their husband’s consent. Thus, cultural aspects play a large role regarding female participation in microfinance programmes and have to be considered when designing a programme.

The impact of microfinance interventions also has to be viewed from a wider perspective. In Uganda, Austria has contributed to a strong demonstration effect by supporting promising MFIs with international alliances at a very early stage, thereby fostering replications of successful models and interest of other donors and private investors in microfinance. In Mozambique, support to CRESCE has proven that the provision of credit on a sustainable basis is possible in Mozambique and that MFIs with commercial interest rates can both benefit the poor and attain high repayment rates. However, the impact of MICRED and COSEDA has been less beneficial. In both programmes, the majority of clients have become defaulters and many seemed to get away with it. Thus, these programmes have certainly had some influence on the perception of donor supported credit schemes. MICRED and COSEDA have probably affected the credit culture in their areas negatively, making future credit interventions there, and in other parts of the respective countries, more difficult.

11 Austria: big enough to have an impact – small enough to be responsive?

Austrian Development Co-operation interventions in microfinance do not compare negatively with experiences of other donors. Although the performance of several programmes supported by Austria has been less than optimal, Austria has also been at the forefront of microfinance development in Uganda and contributed to the establishment of some of the best performing MFIs in Uganda and Mozambique. One of the strengths of Austrian Development Co-operation has certainly been its ability as a small donor to respond flexibly to the specific needs of the MFIs it supported or the requirements of a national microfinance sector, for example by providing capacity building to the Bank of Uganda at a very early stage. However, if Austrian Development Co-operation wants to maintain or increase its impact and visibility, the evaluation team recommends it to re-adjust some of its structures and strengthen some practices and procedures:

11.1.1 Discuss Austrian policy papers and ensure application of guidelines

Austrian microfinance policy papers such as the MSME sector programme and MSME country sector programmes should be distributed and discussed on a broad and more regular basis, including all microfinance players in Austria. Also, the application of guidelines, as laid down in the policy papers and manuals, should be monitored more stringently.

11.1.2 Establish professional and transparent relationships with MFIs

Donors should focus on the identification of competent technical implementers, either an existing MFI or an institution with a strong experience in microfinance. The primary responsibility for the design of the intervention ought to be left with the technical implementer. Although the donor should act as a counsellor and invest in a strong relationship with the MFI, the relationship between the donor and the MFI should be busi-

ness-like, based on mutual accountability, institutional performance, and shared risks.

11.1.3 Support innovators

Austrian Development Co-operation should make use of its smallness and remain flexible enough to recognise and support innovators, i.e. promote innovative MFIs with the clear potential to become break-through institutions or initiatives that might lead the way forward to the development of a strong microfinance industry.

11.1.4 Invest in technical assistance and capacity building

The evaluation has shown that it pays off to support promising microfinance providers with international alliances and strong back-up structures. Capacity builders, technical advisors and well-trained staff will ensure that better practices are applied, which the evaluators believe to be the key to microfinance success.

11.1.5 Promote stakeholder co-operation

Effective co-ordination and co-operation between national and international microfinance stakeholders, i.e. donors, government, practitioners and capacity builders, has proved to be a key ingredient for success at MFI as well as at industry level. By joining CGAP and building strategic alliances with international microfinance organisations, Austria will be able to improve its performance and increase its accountability towards other stakeholders.

11.1.6 Ensure an enabling environment

Successful microfinance can only happen if some minimum conditions exist, such as a viable economic environment, sufficient small economic activities, functioning markets, social cohesion, etc. If these prerequisites are not met, donors should abstain from directly supporting MFIs and invest instead into establishing a more favourable context, for example

by supporting the government to develop conducive regulatory policies.

12 Institutional Framework for the Instrument Microfinance

As regards the instrument of microfinance in the four African countries subject to discussion, the structure of the Austrian Development Co-operation within the Ministry of Foreign Affairs (Head Office and decentralised bureaux) includes a Country Desk Officer (CDO), the Micro, Small and Medium Enterprise (MSME) Sector Consultants jointly responsible for the MSME policy, and MSME Country Sector Consultants; and, in the cases Mozambique and Uganda, a Regional Bureau for development co-operation.

However, these two Regional Bureaux (ARB) differ in their range of (geographical) responsibilities and in size: in the ARB in Uganda there is a Country Sector Consultant for each sphere of intervention, and thus an officer in charge who is explicitly responsible for microfinance, while in Mozambique there is only one single person, who is responsible for all sectors. In this latter case, microfinance is only one amongst several other spheres of intervention for which this coordinator has to be responsible.

12.1 Country Desk Officers and Regional Bureaux

The Country Desk Officer (CDO) is responsible for all activities to which s/he is assigned - including microfinance programmes. The CDO thus exerts a great influence on decision-making with regard to how individual projects are to be carried through, and s/he usually decides in accordance with the recommendations made by the MSME Country Sector Consultant.

The actual role of the CDO may, however, take on very different forms, not only with regard to the fields of activity but also

with regard to the participation in transforming the content of the sector policy into action.

However, the definition of such roles in the co-operation process, between the Headquarters and the ADC executive bodies on the spot seem not to be clarified enough which also affects particularly the decision-making competence of the ADC concerning major strategic choices.

A concentration of decisions on the spot can be observed in the regional bureaux of both Kampala and Beira. In Uganda, for example, a great deal of the administrative tasks – in accordance with the decentralisation concept – have been taken over by the Co-ordination Bureau. As in the past, the CDO is the deciding authority for the approval of grants for actual projects which normally correspond to the proposals made by the Country Sector Consultant, while decision-making on most kinds of other matters has been passed on to a greater extent to Kampala. Thus, ultimately, the “tandem-principle” practised until then, which provided for the balanced participation of the CDO and ARB, on the one hand, and the Country Sector Consultant on the other hand, in making decisions, has been abolished. Furthermore, a relatively large part of the administrative tasks have been taken on, in the meantime, by the Country Sector Consultant. This means that the current effort which the Regional Bureau in Uganda is making to reposition itself strategically with regard to microfinance interventions is being carried out partly without the assurance that these decisions conform with headquarter views.

Thus, decisions may be taken and implemented in the Regional Bureaux with the risk that they might have to be amended at a later date, should other agents in the Ministry consider them not to be in conformity with the overall policies of, or positions taken by, the Austrian Development Co-operation. If, therefore, a shift from the administration and decision-making processes is to be made in favour of the Austrian Development Co-operation institutions in the African target countries, and this has been the practice for some time already in Uganda and to a certain degree already in Mozambique, structural measures must be taken so that the Country Sector Policy is carried out in accordance with headquarter’s principles.

12.2 MSME Sector Consultants and Country Sector Consultants

The MSME Sector Consultant's main task is to prepare and to co-ordinate the overall MSME sector policy, and to endorse country sector programmes. The sector consultant participates in the international sector discussion and co-ordination, distributes information relevant to the sector, and responds to enquiries from the Country Sector Consultant.

There are, however, considerable differences in the general and organisational conditions under which the Country Sector Consultants operate. These differences depend largely on whether a co-ordination bureau in the relevant target country exists or not. In the end, this may be of considerable importance for harmonisation between Sector Policy and Country Sector Policy.

In the cases Namibia and Zimbabwe, the MSME Country Sector Consultants are based in Vienna, and they visit these countries and the sector projects at least once a year. As the Country Sector Consultants come from the same office which has been commissioned to develop the sector policy, there is naturally the guarantee of a strong affinity between sector policy and country sector policy. Furthermore, because of personal contacts, there is continual reflection on the question as to whether the development of the projects in the sector policy intervention spheres is also in conformity with the basic principles of sector policy.

This common approach does not automatically come about if the Country Sector Consultants work in a Regional Bureau, that is, in the target country in Africa, simply because of the geographical distance between them. In Uganda as well as in Mozambique, the Country Sector Consultants are employees of the Regional Bureaux there. In Mozambique, the Country Sector Consultant is also the head of the ARB and thus the co-ordinator of the Austrian Development Co-operation in that country. The Country Sector Consultants are responsible for the conception of the Country Sector Programme, and because they are permanently stationed in their respective countries, they have far better possibilities to adjust to the current national conditions.

As already mentioned above, besides these advantages gained by being stationed in the target country, disadvantages also result because the Country Sector Intervention is de-

tached from the Sector Policy. In this case, Sector Policy is set by consultants operating from the Ministry in Vienna and therefore the factors of extensive consultation and personal communication may become decisive. When, for instance, there is no agreement between the sector and country sector consultants regarding substantial issues, communication could consequently break down. This could, in turn, prevent the desired coherence between sector and country sector policies. Within this context, the major obstacle to the further development of the ADC is the fact that valuable practical experience might no longer find consideration within the framework of the sector policy.

Moreover such a controversy, which leads to a long-term “undesirable state of affairs” creates a high level of uncertainty with regard to the validity of the sector policy, especially if there was no detailed discussion on the different positions. In such cases, the basic scheduled procedure designed to programme the interventions cannot not be accomplished. According to this concept, in a country sector programme the intervention strategies should be worked out both in content and geographically within the framework of the sector programme. Furthermore, the appropriate activities, the objectives involved and the concrete steps for implementation should also be determined and developed within this framework. This systematic programme, which was set out initially, and should have ensured the coherence of sector policy and country sector policy, was not, however, implemented by the Country Sector Consultant at that time. If it is not possible to have a discussion on this matter, for example, because there were no records or reports made on the intervention strategies and their implementation, no conclusions can be drawn for guidance and assessment purposes.

This uncertainty concerning the importance of sector policy for the actual strategies of the country sector policy still existed at the time of the evaluation and is, to a considerable extent, the reason why the degree of co-ordination of the ADC, with reference to the MSME sector, is not always so marked. This also has the consequence that these comparatively new levels of intervention are reflected only insufficiently in the sector policy.

Within this context, the Sector Consultant has limited chances of playing an influential role. Most agents in the Austrian Development Co-operation agree that the role of the Sector Consultant as a hub of information exchange is insufficient. The Sector Consultant functions as a service provider

and has no authority to intervene at the project level. The responsibility for programmes and interventions lies with the Regional Bureau and with the Desk Officer. The Sector Consultant provides only additional input or becomes more involved at the project level when asked to do so by the Regional Bureau or the Desk Officer. This inadequate definition of the role is also manifest in the attitude which the Co-ordination Bureaux have with regard to co-operation with the Sector Consultant, and also concerns the degree to which the Sector Policy should become a standard for the Country Sector Policy.

12.3 Implementing Agencies and the Role of NGOs

With regard to the implementing agencies, i.e. those organisations which receive subsidies from the ADC to be able to carry out microfinance activities, two essential promotion strategies are followed. The basic difference between these two strategies depends on whether Austrian NGOs or private firms and their national partner organisations are involved in carrying out these projects.

In Mozambique, Namibia and partly also in Zimbabwe, the implementing agencies are usually Austrian NGOs or private firms, which are engaged by the Ministry of Foreign Affairs to implement microfinance programmes. In most cases¹³ they co-operate with existing microfinance institutions, which are then called project partners.¹⁴ But there were also cases where these agencies had no partner organisation in place and implemented the project directly.

At the moment there is one NGO (CARE Austria) and one private firm (ECOTEC) in Austria with long experience in the field of microfinance. The results of the Country Reports indicate that the Austrian Project Holders can only be successful if they are in a position to turn to local back-up structures. For instance, in Mozambique Care Austria was able to rely on the technical assistance of the competent and experienced staff

¹³ [For example, CRESCE in Mozambique, COSEDA in Namibia and ZAMBUKO TRUST or ZWIFT in Zimbabwe.](#)

¹⁴ [In the case of CRESCE, no project partner existed at the inception, and the project holder has supported the development of an independent institution.](#)

of Care Mozambique as well as on the support of Care International. This form of co-operation resulted in an effective monitoring and thus enabled the microfinance institution so succeed in its task. However, collaborating with an international NGO does not guarantee MF success. In Namibia there was no effective CARE microfinance back-up structure in place and little support was provided by CARE International except through CARE Austria staff.

The private Austrian company, which is also active in implementing microfinance initiatives in Africa has some experience in this field but no local back-up structures to support their interventions. Their projects are monitored from Vienna and visited once a year by the responsible staff (a parachute approach). Concerning the evaluated project, because of the small budget, they only had the possibility to visit their project once a year in Mozambique. It is clear that one project visit per year is not enough to effectively monitor a microfinance institution. In the case where ADC wants to stay in MF and not foster a CARE monopoly, it should consider a financial capacity building within other Austrian implementing agencies, or support linkages of Austrian agencies to established technical agents of implementation.¹⁵

An exception, with regard to providing support for the microfinance activities by the Austrian ADC is the support of international organizations, such as the International Labour Organisation (ILO) – which received a contribution to finance the development of a national programme to institutionalise a microfinance programme in Zimbabwe (in co-operation with the competent Ministry).

Unlike in Mozambique, Namibia and Zimbabwe, Austrian implementing agencies only played a minor role in Uganda. As discussed in the respective country report,¹⁶ Uganda is endowed with a large number of competent microfinance providers who are partly supported by international capacity builders. For the Regional Bureau and the Country Sector Consultant, the main partners in microfinance have therefore been national providers and not Austrian NGOs. Confirming this strategy, most microfinance intervention supported by Austria and implemented by Ugandan partners have been successful.

Here, already, considerable differences are to be found in the way the ADC agents regard the Austrian NGOs and two main

¹⁵ [UNDP Microstart. Guide to Contractors](#)

¹⁶ [Microfinance in Uganda](#)

positions can be distinguished. From one point of view, Austrian NGOs are preferred as partners when it comes to implementing the ADC programme. The argument in favour of this view is that, through this closer co-operation it may be expected that the discussion in Austria is intensified and widened and also, through co-operation with Austrian sponsoring institutions, the organisational and instrumental mobility of the ADC should be ensured.

In contrast to this, the other point of view, which is found most of all in the CB in Kampala, sees in the Austrian NGOs one of a number of organisational possibilities which could be used for carrying out microfinance activities. According to the Regional Bureau, the Austrian NGOs could become more involved in microfinance in Uganda if they were to engage in competitive bids in Uganda. If Austrian NGOs were to submit competitive bids, the Regional Bureau would be willing to support them. However, most of the agents of the Austrian Development Co-operation agree that Austrian NGOs might find it difficult to stand up to competition against international, highly experienced and specialised microfinance organisations and technical agents of implementation.

At present the attempt is being made to overcome this undefined role of the Austrian NGOs through the systematic organisation of their involvement in the ADC's programme implementation process, especially in the implementation phase of programmes. In future, according to decision makers in ADC, MF projects shall be designed primarily by the donor, i.e. the CB and/or the Country Sector Consultant and then be offered to Austrian NGOs for competitive bidding. It is supposed that this approach will guarantee consistency with the Country Sector Programme and foster synergies with other Austrian interventions.

Within the field of Microfinance, this new paradigm presents some risks, as mainly demonstrated in the case of Mozambique. Such hazards could result in Microfinance institutions being set up and run under less favourable conditions. Considering not only the results derived from the existing Country Reports, but also the weight of international experience, involvement within the MF field is worthwhile when donors who decide on such a supporting role, take part neither in the design nor in the implementation of relevant programmes. Donors should rather focus on the identification of competent technical agents of implementation – either an existing MFI or an institution with great experience in microfinance. The primary responsibility for the design of the intervention ought to

be left to the technical agent of implementation, who should know best. Choosing a good partner is probably the most important single decision a donor can make in supporting MF. The criteria for selection should include objectives that are compatible with the donor, institutional factors (such as the capacity of management), outreach and services offered, portfolio quality, cost recovery, interest rates and competence of the information management.

After selecting an appropriate and competent institution, an agreement should be established on the few, but important, targets which embody the goals of both the donor and the MFI. The project agreement should combine firmness concerning the targets with great flexibility as to how those targets are to be met. Although donors should act as counsellors and cultivate a firm relationship with the MFI, their main role is to monitor MFI performance and to hold the organisation accountable for the results agreed upon in project targets. They should not be involved in day-to-day decisions. Reporting should be as simple as possible and primarily understood as a vehicle to focus on both sides on the core issues.¹⁷

13 Structural and Communication Options of the Austrian Development Co-operation

As already mentioned in the description of the ADC structure, which applied to the area of microfinance, to the MSME Sector and to all the institutional executive bodies relevant within such a context, it became clear that there are still many ways of improving the structural make-up of the ADC. However, it was explicitly stated that the generalised approach to the options for development does not derive from an insufficient

¹⁷ [The CB in Mozambique has developed a communication format that may give structure to the monitoring exercise: monthly meetings between the Project Manager and Country Sector Consultant, quarterly meetings in the CB, bi-annual reports and an annual planning exercise of setting targets. Although this design is certainly an important development, monthly meetings with the Project Manager may, in the case of MF, be interpreted as too much involvement on the part of the CB.asa](#)

performance of such bodies. Rather, it reveals the presence of structural problems, such as a shortage of personnel and a resulting heavier workload to be borne by individual staff members. Although sometimes the attitudes to substantial key matters relevant within this context are also different.

There follows an outline of those structural and communicative principles which the four country reports regarded as a priority for the effective operation of the Austrian Development Co-operation in the field of Microfinance.

13.1 Distance from the operation level

In general, Regional Bureaux as decentralised structures are a tremendous advantage for the ADC. In the case of Mozambique, the head of the ARB is also the country MSME sector consultant. As the ARB is set in the same environment as the Austrian interventions, the ARB has more opportunity to know the project-specific context. The co-ordinator can assess situations and respond to difficulties quickly and flexibly. The permanent representation also facilitates the dialogue and co-operation with the government and the advocacy of policy environment issues.

However, due the closeness to the projects, the ARB might on the one hand be tempted to intervene at the operative level, which in fact is not its responsibility. On the other hand, implementing agencies and/or partners may ask for continuous guidance and assistance, possibly in order to concede some of their responsibility for the project to the ARB. Experience with Austrian RBs worldwide shows that co-ordinators tend to get involved with issues that are in fact the responsibility of project holders and partners, such as project management. Usually this is done if co-ordinators believe that they can positively contribute to the performance of the individual projects.

As a consequence, programmes are not always given the chance to make their own experiences and learn for themselves. Especially in microfinance, the autonomy of an institution is very important, for the institution itself as well as for the clients. Too much involvement of donors, i.e. co-ordinators and sector consultants, may create dependence on their continuous assistance. In microfinance the roles and responsibilities of the donor as well as of the developer can and should be clearly defined. In short, the donor should only intervene if

the performance does not meet the targets mutually agreed upon. For the developer it should also be absolutely clear for which parts the donor is accountable and with whom s/he has to communicate and co-operate.

13.2 Definition of Roles

In general, the evaluators had the impression that unclear roles and responsibilities were taking their toll on the energy of the ADC. The communication between different executive bodies often centres around bureaucratic issues, sometimes as a result of structural deficiencies. In many cases little or no time is left for discussions on the subject matter. Therefore it is advisable to have more intense and systematic decision-making processes, communication and co-operation.

For example, the decisions of country sector consultant could be final unless the desk officer intervenes within a specified period of time (e.g. two weeks or longer if the desk officer is not in office). A bi-annual meeting of all MSME country sector consultants and the MSME sector consultants would facilitate a systematic exchange of experiences and also ensure some sort of expert monitoring of their activities. Country sector consultants should in general be more connected to the sector consultants and important decisions could be based on mutual agreement.

13.3 Technical Information Systems

A highly competent technical base is essential to the effective operation of the ADC. Such a foundation facilitates both the exchange of information necessary to meet the existing requirements and the acquisition of data without delay. These conditions are not met as regards the Regional Bureaux of Kampala and Beira. Their communication with the relevant departments of the Austrian Ministry for Foreign Affairs is hampered by a deficient technical information system. The Regional Bureaux have no direct access to parts of the data bank in Vienna. As a consequence, the country sector consultants in Kampala and in Beira have no information regarding, for example, the status of funding proposals and dates of disbursements. This is especially problematic when dis-

bursements are delayed and the Regional Bureau is unable to give accurate information to its project partners.

13.4 More systematic reporting and information

One of the most essential findings of this evaluation is that information flows between the executive bodies of the ADC should be more systematic. This assessment does not refer to the project level, as the documentation of this level was not the subject of the evaluation, but several of those questioned stated explicitly that it functioned very well.

The deficit results in:

- a lack of documentation on interventions, which can, for example, make it very difficult for new consultants to become familiar with the programme,
- Headquarters having insufficient knowledge and understanding of the local framework in which sector strategies are pursued and which may result in deficient backing from headquarters,
- The Regional Bureaux having insufficient knowledge of discussions and decisions in headquarters, thus possibly causing incoherence and loss of efficiency,
- Communication structures being highly dependent on personal relations between the actors involved.
- Because of this last aspect, there is an urgent need to de-personalise communication between the executive bodies and to pursue more professional organisation of information flows. Therefore, it is advisable to establish a structured reporting system defining the content and organisation of information flows with the ultimate aim of creating an institutional memory for the sector.

Content-related systematic reporting is taken to mean that reports on sector developments and interventions in the target countries have to be prepared according to agreed criteria. For example, requiring strategic decisions to be explained. A stipulated number of persons (in particular the country desk officer and the MSME sector consultant) will then be obliged to comment on these reports. Moreover, the information flow from headquarter to the Regional Bureaux should also become more systematic, for example requiring headquarter's staff to report on important decisions and discussions, or de-

velopments of other Austrian and international microfinance interventions.

A possible approach could be the monthly preparation of a list of all relevant discussions and decisions taken in headquarters, with references to the persons involved and the probable consequences, which is then distributed to all decentralised structures such as the Regional Bureau.

Systematic organisation will require the actors involved to provide reports and to comment on these at pre-set intervals. Moreover, the information flows will have to be systematically documented.

However, the formalisation of information flows should not be interpreted or used as an instrument of control. The Regional Bureau should not lose the autonomy granted to it as a result of decentralisation efforts. Decisions on systematic reporting and communication should be made with the mutual agreement of all actors involved. Intensified and systematic reporting should not result in less responsibility and decision-making power for the Regional Bureau, but provide a clear framework for discussions and decisions.

13.5 Policy and Programme Discussion

The necessity of engaging in an adequate policy and programme discussion was stressed in many parts of this summary. Such discussion is aimed at:

- promoting coherence between Sector Policy and Country Sector Policies;
- developing and securing new intervention strategies within the MF field;
- defining the role of the Austrian implementing agency.

Dialogue must represent the foundation for the decision-making process of the different executive bodies involved in the ACD. Therefore, this discussion must be conducted on a systematic basis. This is of particular importance when, as a result of specific problems – such as the budget cuts in Uganda – a repositioning of the intervention is required. Moreover, discussion is necessary when dealing with a new area of intervention as in the case of microfinance of the ADC.

Without close co-operation and matching of interests between the headquarters and the actors on the spot, the development of a common position in the country sector policy in Microfinance is endangered by information gaps and decisions may be taken without full support from headquarters. Furthermore, close co-operation and continuous dialogue are especially important in a new field like microfinance, where the pace of innovation is rapid.

Lack of information may impinge on crucial decisions taken by the headquarters, for example in relation to the financial and human resources necessary to implement policies and programmes that meet the Austrian requirements of significance and visibility. Insufficient information may lead to the failure of the headquarters to realise the importance of a particular approach or strategy and thus to a lack of appreciation of the financial and human resources necessary to pursue this strategy.

As shown by the results of the reports on which this synopsis rests, it is essential to intensify the policy and programme discussion in the field of microfinance. The enhancement and systematic organisation of dialogue are necessary to promote agreement between the Regional Bureaux and their respective Desk Officers and to guarantee coherence between the Sector Policy and Country Sector Policies.

At present, the participation of the Desk Officers in the strategic development on the spot—at least in the microfinance field—appears to be insufficient. Furthermore, agreement between Sector and Country policies has not been achieved from a structural viewpoint and depends too much on the personal engagement of the respective actors.

13.6 Decision-making mechanisms promoting sector coherence

Currently, there is no structured arrangement to assess whether MSME sector interventions correspond to Austrian sector policies and guidelines. This means that, on the one hand, the MSME sector consultant has no means to enforce sector guidelines, and on the other hand, sector experiences on the ground can only partially be fed back into the sector policy. Thus, the evaluation team suggests implementing a structured decision-making mechanism, for example:

- the sector consultant can initiate a decision-making process if s/he is of the opinion that the MSME instrument is not applied according to Austrian and/or international principles and guidelines;
- thus, the sector consultant can call upon a team of Ministry employees to review the intervention and assess whether the instrument is applied correctly;
- in the course of this analysis, the team has to seek the opinion of the actors involved (for example the country MSME sector consultant);
- the MSME sector consultant does not participate in the assessment, s/he can only initiate this decision-making process;
- the team has to state the reasons why it came to a specific conclusion.

This process of decision-making should, overall, have the character of a dialogue which enables reflection on the country sector intervention and on the principles of the sector policy.

14 Minimum Reporting Information¹⁸

The following tables include the minimum data which should be reported to donors, project partners and the Board of Directors on a regular basis, and which will ensure a consistent basis for a financial analysis the programme.

Portfolio and Outreach

1.	Number and amount of loans outstanding at beginning and end of reporting period.	_____
2.	Number and amount of loans disbursed during reporting period	_____
3.	Number and amount of small saver deposit accounts at beginning and end of reporting period. Show compulsory and voluntary savings separately	_____
4.	Arrears (on loans outstanding basis). Unpaid balance of loans with payments overdue more than 30 days. There should also be an ageing of arrears report, covering, for example, 60 and 90 days and one year.	_____
5.	Percentage of female clients	_____
6.	Number of staff (only those involved with savings and credit activities)	_____

Interest Rate Policy

7.	Effective annual interest rate paid by clients incorporating all required fees (and calculated on a declining balance basis), both nominal and real. Effective rate paid to savers.	_____
8.	Local annualised interbank lending rate and 90-day CD rate	_____
9.	Local annual inflation rate (give source)	_____

¹⁸ [UNDP/Microstart: Microstart \(1997\): "A Guide for Planning, Starting and Managing a Microfinance Programme", New York, p. 150-151. Also see CGAP's "Financial Statement Guidelines \(interim version\)" \(2001\).](#)

Income and Expenses Information

INCOME		_____
10.	Interest and fee income from loans (excluding accrued uncollected interest on non-performing loans)	_____
11.	Income from investments	_____
12.	Other operating income from financial services	_____
13.	Total income:	_____
EXPENSES		_____
14.	Staff expenses (salaries and benefits)	_____
15.	Other administrative expenses (includes depreciation)	_____
16.	Loan losses. All loans over one year in arrears should be written off, as far as local rules permit. Institutions should describe their criteria in recording loan losses.	_____
17.	Interest and fee expenses (itemized by source of funds)	_____
18.	Total expenses:	_____
19.	Net operating profit:	_____

Balance Sheet Information

OTHER INCOME AND EXPENSES		_____
20.	Non-operating income (if any)	_____
21.	Non-operating expenses (if any)	_____
22.	Donations	_____
22a.	For operating expenses	_____
22b.	Capital contribution (identify purpose, e.g., loan fund equity, fixed assets)	_____
ASSETS		_____
23.	Cash on hand and in banks	_____
24.	Mandatory reserves	_____

25.	Short-term investments	_____
26.	Loans outstanding (must match indicator 1, above)	_____
27.	Less: Loan loss provisions	_____
28.	Net portfolio outstanding	_____
29.	Long-term investments	_____
30.	Fixed assets (after depreciation)	_____
31.	Other assets	_____
32.	Total assets:	_____
LIABILITIES		_____
33.	Savings and time deposits from target group clients	_____
34.	Other deposits	_____
35.	Loans from central bank	_____
36.	Loans from other banks	_____
37.	Other short-term liabilities	_____
38.	Other long-term liabilities	_____
EQUITY		_____
39.	Paid-in equity (shareholders)	_____
40.	Donated equity	_____
41.	Retained earnings	_____
42.	Other capital accounts	_____
43.	Current year profit or loss	_____
44.	Total Liabilities and Equity:	_____

15 Abbreviations

ADC	Austrian Development Co-operation
AIMS	Assessing the Impact of Microenterprise Services
ARB	Austrian Regional Bureau
BRAC	Bangladesh Rural Advancement Committee
CD rate	Certificate of Deposit Rate
CDO	Country Desk Officer
CGAP	Consultative Group to Assist the Poorest
DfID	Department for International Development
GoA	Government of Austria
GTZ	Gesellschaft für Technische Zusammenarbeit
ILO	International Labour Organisation
IPC	International Project Consult
MFI	Micro Finance Institution
MFPED	Ministry of Finance, Planning and Economic Development
MSME	Micro, Small and Medium Enterprise
NGO	Non Government Organisation
SME	Small and Medium Enterprise
UNDP	United Nations Development Program
UNCDF	United Nations Capital Development Fund
ZWFT	Zimbabwe Women's Finance Trust

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