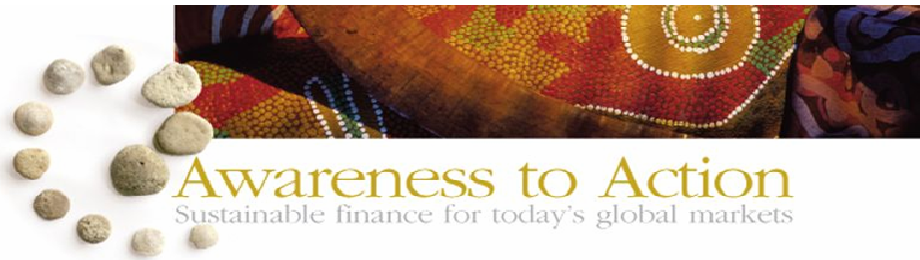


DAY 2 Thursday 25 October	
Session Details	<p>Workshop 2.4.3 “Mainstreaming Micro finance - Must Have or Mission Drift? ” 15:00pm – 16:30pm</p>
Speakers	<ul style="list-style-type: none"> • Mr. Richard Peters, Head of Corporate Social Responsibility, National Australia Bank • Dr. John Conroy, Special Consultant to the Foundation for Development Cooperation (FDC) • Mr. John Kalfayan, Senior Manager for Technical Services, World Council of Credit Unions (WOCCU) • Mr. Somak Ghosh, Country Head of Corporate Finance, Yes Bank • Moderator: Mr. Alexander Wan, Executive Editor, China Daily
Maintaining the integrity of micro finance	
<p>Could the commercialisation of micro-financing programs result in a drift from the mission of offering the poor opportunities to improve their financial situation?</p> <p>There is the danger that the success of institutions offering micro-finance may lead to them seeking a better class of customer as the poor have lower borrowing needs than the middle class.</p> <p>Mr. Richard Peters, Head of Corporate Social Responsibility, Australia, National Australia Bank, raised the important question, how much money do people want to make from lending to the poor and growing the economy?</p> <p>He said three points were necessary for micro financing programs to maintain their initial integrity. Firstly, the financial institution must make its purpose transparent, whether they are seeking to make money from the scheme or merely break even. They must then provide access to capital by way of credible delivery systems. Finally they must provide support for budgeting and not just focus on access to credit.</p> <p>Dr. John Conroy, Special Consultant to the Foundation for Development Cooperation explained that the most practical factor of micro finance is that of financial inclusion. Financial exclusion, i.e. being without a bank account or access to “the system”, is not restricted to developing nations. It is estimated that there are approximately 40 million people in the US alone, who are without a bank account. Micro-finance is an extremely powerful tool for reaching out further and gathering in those who are currently excluded.</p> <p>Mr. John Kalfayan, Senior Manager for Technical Services of WOCCU, discussed the importance of community ownership in micro-financing. Currently the World Council of Credit Unions is the largest provider of micro financing programs, servicing the needs of 4.1 million people globally. Mr. Kalfayan said that by incorporating both the “haves” and the “have nots” in a community program, institutions</p>	

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are able to offer more viable savings because, “it’s always a cheaper source of funds than external lenders”. In the context of credit unions, mainstreaming means integrating savings and lending programs into microfinance products, which would then lead to lower risk for the institution and lower interest rates for the client.

Mr. Somak Ghosh, Country Head of Corporate Finance, Yes Bank, discussed the development of micro-financing in India. There are currently two streams in practice. The more established of the two is wholesale. The second stream, which offers direct lending in micro-financing branches, is still in its pilot phase, yet it has offered notable returns to its clients in the two months that it has been operational. Mr. Ghosh said that the system needs to be regulated by a separate government body so that large companies are enticed to invest the time, money and resources needed to develop micro-financing further.

The panel concluded that the challenge of increasing the market share of micro-financing must be addressed. The financial industry is in need of more institutions offering micro-finance solution so that market competition may drive down the prices. For a financial institution to take up the program successfully, it must be a full service bank that includes an offering of micro financing. Ratings agencies such as Standard & Poor’s would also significantly push the microfinance sector towards the mainstream.