

A CRITICAL ANALYSIS OF THE DEBT CRISIS IN AFRICA

By Charles Mutasa
Nairobi, Kenya
Sept 28, 2007

Third World Debt

- As of 2004, Third World debt has reached US\$2.6 trillion as of 2004, or a five-fold increase since the 1980s, despite trillions of dollars in payments over decades
- For example of \$540 billion on loans, \$550 billion has been paid in both principal and interest over the last three decades, and yet there is still a \$523 billion dollar debt burden.

Why not Debt Cancellation?

- Millennium Summit of UN and Financing for Development as responses to calls for poverty reduction, increase aid and cancellation of debt.
- The total debt of the 41 HIPC countries is approximately \$200 billion (less than one percent of world debt) should be easily cancelled.
- There are 21 to 25 more countries that are in line for debt cancellation but they have to go through the mandated structural adjustment reforms to be eligible of a full debt cancellation.

The basic advantages of debt reduction

- Immediately available, direct activation of resources
- Debt "overhang" trap is a long-term growth hampering state, removing it most often is a necessary pre-condition for economic recovery
- Does not decrease credit worthiness: on the contrary, most often it dramatically increases it by realistically restoring long-term solvency
- Should be additional to ODA (Monterrey Declaration), but donor countries are "cheating" by including it in reporting, thereby inflating their aid figures
- The case for debt relief on the basis of economic efficiency and social justice is clear, but need to expand present limited context. Political, not technical approach

Key debt relief initiatives

- **HIPC Initiative** for heavily indebted IDA-only countries. Of the 38 eligible countries, 18 have received debt relief (at completion point) , 10 have qualified for relief (at decision point) and 10 are yet to qualify. 4 potential new HIPCs have been identified.
- **Paris Club** for non-HIPCs with heavy debt burdens eg Nigeria, Iraq
- **G8 Deal** for post-HIPC countries

G8 Debt Initiative (2005)

- For post-HIPC countries, cancellation of 100% IDA, ADF, IMF debt providing relief of up to \$55 billion, in addition to HIPC relief totalling \$70 billion.
- For 18 post-HIPC countries, the average PV/exports ratio will fall from 140% (after HIPC relief) to about 52% after G8.
- For some African countries with large shares of IDA, ADF and IMF debt (eg Rwanda and Uganda), this will mean debt write-offs of 80% or more, while for others, it will mean 50%-60% write-offs.
- For Latin American countries the benefits will be significantly less (eg about 30% for Guyana and Honduras) because IADB/ CDB debt is not included.

G8 Debt Initiative

- Delivery mechanisms:
 - **ADF**: same as IDA.
 - **IMF**: cancellation using IMF's own resources, without affecting future disbursements, All debt service savings will therefore be additional.
- Eligible debt is expected to be disbursed outstanding stock as of end-2004.
- IMF and ADF are expected to implement in early 2006, while IDA will do so from mid-2006.

MDRI Beneficiaries

- **21 Countries that have received**
- **100% IMF/World Bank debt**
- **Cancellation (as of July 1, 2006)**
- Benin; Mauritania
- Bolivia; Mozambique
- Burkina Faso; Nicaragua
- Cambodia (IMF only) Niger
- Cameroon; Rwanda
- Ethiopia ; Senegal
- Ghana; Tajikistan (IMF only)
- Guyana; Tanzania
- Honduras; Uganda
- Madagascar; Zambia
- Mali

MDRI Implications for Africa

- USD40bn out of USD330bn cancelled
- Excluded Middle income countries such as Kenya
- Illegitimate & odious debts left outs
- Based on IFI version of 'debt sustainability', (which is only capacity to pay due to export capacity (hard currency generation), not national development needs. No MDG considerations)

MDRI Implications for Africa (contd)

- Real financial benefits may be limited: reduction in loans from IDA is a possibility if a country does not perform well in terms of "governance"

IMF Country Coverage for MDRI (2006)

- Post-HIPC countries qualifying for relief Benin, Bolivia, Burkina Faso, Cameroon, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Senegal, Tanzania, Uganda, Zambia Non-HIPC countries Cambodia, Tajikistan
- **Countries that will be eligible once they reached HIPC completion point** Post-decision point countries Burundi, Chad, Congo Republic, Democratic Republic of Congo, The Gambia, Guinea, Guinea-Bissau, Malawi, São Tomé and Príncipe, Sierra Leone
- **Potential HIPCs**, with eligibility to be confirmed on basis of end-2004 debt data (sunset clause countries) Central African Republic, Comoros, Côte d'Ivoire, Lao PDR, Myanmar, Togo Protracted arrears Liberia, Somalia, Sudan Potential new HIPCs Eritrea, Haiti, Kyrgyz Republic, Nepal

IFI Debt Sustainability Framework

- For all LICs: decides on whether a country will receive new loans or rather grants
- No consideration of Millennium Development Goals: again, it's "repayability" rather than "real" sustainability
- Does not contemplate the possibility of further cancellation exercises
- Opens the possibility of reduced resource flows to LICs through a "performance-based" mechanism

IFI Debt Sustainability Framework (Contd)

- Debt treatments depend exclusively on the “generosity” of lenders, and are most likely to be granted in an open financial crisis
- The basis for reschedulings/cancellations is always the most conservative financial debt sustainability: just considers repayment capacity, not real needs
- In the case of the Paris Club very political in nature: Iraq 80% cancellation, Nigeria only 60%

Key issues CSOs for G8 2008

- To advocate at international level for:
 - Maximum debt relief under HIPC and G8
 - Additionality of new resources
 - No additional conditionalities on resources
 - New resources are of the ‘best’ quality for financing poverty reduction and development
 - Monitor the Implementation process
 - Insistence on the necessity of Debt Audits, inclusion of Odious & illegitimate Debts

Key Issues for CSOs for G8 2008(Contd)

- Call for a Transparent and Fair Arbitration (FTA) Mechanism
- Consider the cancellation of the Ecological debt (Historical & Environmental damage)

What Japan Can Do for Africa?

- For Coherence in global initiatives support;
 1. The call for Debt audits, cancellation of illegitimate & odious debts.
 2. Address the question of trade and the need for FDIs in Africa.
 3. Enhance the need for the Aid Effectiveness agenda

What Japan can do for Africa?

- Increase Japanese aid and FDIs in Africa
- Reform the IMF and WB
- Discuss the “free rider problem” & the possibility of other multilaterals to join MDRI
- MDRI countries need additional grants to meet MDGs

End of Presentation

*Thank you
for your attention*



Participation of Civil Society in Policy-Making

Example of G20

Nairobi, September 2007

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What is the G20

- **A national platform of Mozambican Civil Society to participate in the Poverty/ Development Observatory**

G20 Objectives

- Ensure greater participation & contribution of the Mozambican Civil Society to the national commitment to reduce poverty;
- Coordinate & prepare the participation of the Mozambican Civil Society organizations in the Poverty Observatory and in official forums to discuss poverty & development in Mozambique.
- Prepare the Annual Poverty Report

Poverty Observatory (PO)

- Is an institutionalized dialogue space involving the Government, Civil Society & Cooperating Partners
- Is a consultative forum with the primary function of following-up on the objectives, targets and actions related to the PARPA (PRSP);
- *At this forum, the three parties evaluate the implementation of the PARPA and the CS further presents its Annual Poverty Report.*

Involvement of the CS in the PARPA II

- Greater openness on the part of Government and Donors towards the CS;
 - Participation on the CS in the Official Working Groups;
 - Considerable part of inputs by CS were incorporated into the PARPA II
- Whereas in the case of PARPA I, the CS was not involved, and the government just submitted a finished document;

Outcome of the CS participation at the PO

- The Poverty Annual Report is not always relevant to the purposes of the PO
- The participation of the CS at the PO is not perfect. Thus there is a need to find concerted forms of participation
- Emergence of new dialogue forums (Consultative Councils; Provincial Development Observatories; Joint Review, Biannual Reviews)

(The PO, JR & BR were distinct processes, without a clear relationship of complementarity, but gradually they became integrated & harmonized so that at present the work methodologies content and outcome of one necessarily influence the others)

How to make the CS participation at the PO and JR more effective & productive

- Empower the CSO to participate at the various phases of the planning, budgeting & monitoring cycle at various levels (National, Provincial & District level)
- Bring in the views from the CSOs and from the direct beneficiaries regarding the progress and constraints in the implementation of PARPA II in their various intervention areas;
- Submit concrete proposals to expedite the rooting out of the causes of poverty in Mozambique;
- Bring the CSOs and academic and research institutions closer together.

Challenger for the G20 2007 Poverty Annual Report & Subsequent Reports

- Make the Poverty Annual Report (PAR) relevant for the purposes of the OPP/D, PO, JR & BR
- Transform the PAR into a document targeted more at the monitoring & implementation of PARPA II
- Produce a PAR that leads to the effective participation and strengthening of the CS
- Bring in the views from the CSOs and from the direct beneficiaries regarding the progress and constraints in the implementation of PARPA II in their various intervention areas;
- Submit concrete proposals to expedite the rooting out of the causes of poverty in Mozambique;

Methodology

- Fresh identification of CSO that lead &/or carry out activities in the areas of the PARPA II
- Working groups
- Capture quantitative & qualitative information on the progress made to accomplish the planned activities & produce concrete proposals
- Monitor the commitments of the target sector as a basis to produce specific reports

G20 Goal

- Transform the PAR into a benchmark document for poverty monitoring, in general, and for the monitoring of PARPA II, in particular, and in the process provide to decision-makers relevant information to expedite the rooting out of the causes of poverty in Mozambique.

THANK YOU

Transport Services and Infrastructure: Linking economic growth to poverty reduction

*Peter Njenga,
IFRTD Coordinator,
Eastern and Southern Africa*

Introduction to IFRTD

- A global network of individuals, organisations and pilot research projects with a focus on integrating access and mobility concepts as part of transport planning in developing countries.
- Core aim of IFRTD is to ensure a stronger link between transport investments and the broader aims of human development, especially poverty reduction.
- The IFRTD network is coordinated from a Secretariat based in UK and small decentralised secretariats in Peru, Kenya, Sri Lanka & Cameroun
- Currently IFRTD has over 4000 members globally, 29 national affiliated national networks and works very closely with multilateral and bilateral agencies such as the World Bank, the UN, DfID, SDC, SIDA, GTZ, the ILO etc.

Global Objectives

- To provide a platform for collaboration and knowledge exchange between sectors, institutions, and professionals interested in enhancing the quality of life in rural areas through improved transport services and other social and economic infrastructure
- To promote integration of social and livelihood concerns – poverty, gender, HIV AIDS, small scale enterprise, etc into transport planning and investment programmes
- To promote information sharing among institutional and individual members through research, easy to read-publications and linking up people.
- To promote multiplication of good practice through policy dialogue and advocacy.

Problem context

Limited impact of transport on poverty. Example, the sector in developing countries received a quarter of the WB loan especially for roads in the 70s and 80s, however findings from the WB Working Paper of 1984 showed that

- Slow progress had been achieved in extending the scope of motor vehicle transport services in poor regions in rural and urban areas
- The provision of rural roads did not guarantee that the poor had access to basic services
- Many basic means of transport were unrecognized and not taken into account by planners
- A failure to recognise the diversity of demand for transport and a pedantic road orientation in the planning process

Evidence from other studies

- Work carried out by ILO, USAID WB in the 1980s in Africa and Asia indicated the need for a different methodological approach in which problems need to be analyzed from the perspective of users [i.e., household members as the generator of travel]
- Looked at from the perspectives of users, transport needs were different from what planners would consider in planning a transport investment programme.

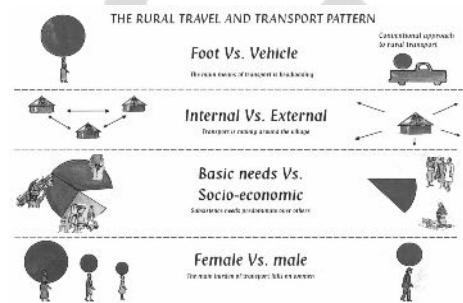
Examples of key findings on rural transport

- Transport in rural areas generally carried out on foot
- Most trips are for basic needs and involve carrying small loads
- Majority of trip purposes do not involve buying or selling of anything
- Very low vehicle ownership
- Transport burden falls disproportionately on women
- The amount of time and effort spent is very considerable

Rural Household Access Needs – basic steps for poverty reduction



Rural Transport Patterns vs conventional approaches



Current thinking in transport infrastructure and poverty reduction

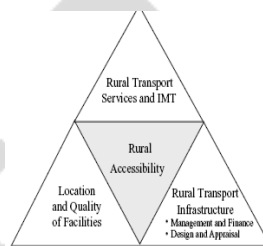
- There is general consensus that lack of success in past rural transport investments projects was imbedded in the over-emphasis of roads for motorized vehicles.
- A general lack of understanding of the multiple dimensions of rural transport demand
- Thus benefits from infrastructure were less significant than anticipated.
- Weak governance and institutions in the infrastructure gave way to corruption in many infrastructure sectors.
- In transport, there is recognition that impacts of infrastructure i on poverty reduction accrue when the investments are geared towards facilitating physical access to services and goods – such as markets, employment, health, education etc

Move towards accessibility

- Problems of lack of access
 - Lack of access generally results in **isolation**, which in turn induces **poverty** as services do not reach the isolated people
- Access is the key issue and this can be addressed by:
 - Improving the movement of rural people to enable them to travel faster, easier and more conveniently [**Mobility**].
 - Better siting and distribution of facilities and services [**Proximity**]
- Accessibility combines the above two concepts and can therefore be viewed as the opportunity or potential provided by the transport land-use system for people to engage in various activities. It can also be envisaged as the ease (in terms of time, effort and cost) with which a need can be satisfied

Move towards accessibility (Cont.)

- A holistic approach to accessibility with access comprising of three elements:
 - Means of transport
 - Location and quality of facilities
 - Transport infrastructure



The Rural Transport Burden

A greater burden in Africa falls on female members of the household

Transport Infrastructure
Interventions

Location of Facilities
Interventions

Intermediate Means of Transport

Thank you

Development Down the Drain?

The Crisis of Foreign Aid to the Philippines

Eduardo C. Tadem, Ph.D.
University of the Philippines
Social Watch Philippines

Introduction

Official Development Assistance (ODA), or foreign aid, is said to play an important role in Philippine development.

But for the past two decades, it has been mired in problems and recurring inadequacies that only serve to negate its intentions and avowed objectives.

New Global Parameters

1. Increased ODA following the September 11, 2001 attacks in the United States, thus reversing the 1990s trend (up to 2005).
2. Revision of Japan's ODA Charter in 2003 with emphasis on national interests and security.
3. Adoption of the 2001 Millennium Development Goals by the United Nations.
4. Emergence of China as a major ODA donor.

ODA to the Philippines

Total ODA commitments for 20 years (1986-2006) total US\$37.92 billion. Multilateral agencies contributed 36.34% (US\$13.78 billion) while bilateral aid was 63.63% (US\$63.63 billion).

The trend of declining ODA allotments during the nineties has continued as, not surprisingly, the country has not benefited from any trickling-down effect of the global increase in ODA allotments.

Annual average ODA inflow in the 2001-2006 period was 23 percent less than during the previous 1986-2000 years.

The 1986-2000 14-year annual average was US\$1,263.88 million while for the six-year period from 2001-2006, average ODA commitments was only US\$978.82 million.

Loans vs. Grants

The loan-grant distribution of ODA to the Philippines remains grossly skewed in favor of loans. The share of loans to total ODA has even increased from 82 percent in the 1987-2000 period to 84 percent in the 2001-2006 years.

On the positive side, the U.S. has shifted its entire ODA portfolio from loans to grants, but because of Japan's overwhelming share of total Philippine ODA (53 percent of bilateral ODA), the latter's loan component share of 99 percent practically defines the current overall loan-grant mix.

Japan's ODA to the Philippines

The decline in foreign aid is most evident in the case of Japanese development aid. While remaining the country's top donor, Japan's annual average commitment fell by 37.5 percent in the 2001-2006 period compared to the 1986-2000 annual average.

This is notwithstanding a global rise in Japanese ODA and a 2004 promise by the Tokyo government to increase ODA commitments by US\$10 billion over the next five years.

Sectoral Allocation

The human development component of foreign aid, which includes health, education, and housing, continues to suffer highly inadequate allocations.

Its already minuscule share of 11 percent of Philippine ODA in 1986-2000 fell further to 7 percent in the 2001-2006 period.

On the other hand, the economic growth-oriented sector of infrastructure development increased its share dramatically from 50 percent to 67 percent.

This trend is hardly in keeping with MDG No. 8 of "developing a global partnership for development" of which increasing the share of human development in foreign aid commitments is an important component.

Geographical Distribution

The geographical distribution of aid continues to favor the country's more developed regions while discriminating against the less-developed areas.

In 2002, Luzon's share of ODA increased to 31 percent from 19 percent in 2001 with 20 percent of total ODA going to the Metro Manila region alone.

The Visayas regions, on the other hand, had only a 10 percent share while Mindanao areas had a mere 7 percent share.

ODA in Mindanao

The pattern of foreign aid to Mindanao reflects the new global trend of emphasizing geo-political concerns over development issues.

In the light of the 9/11 attacks and given the long-running Muslim separatist insurgencies in the island, ODA to Mindanao now falls basically under the context of peace building, conflict resolution, and undermining support for armed rebellion.

Share of External Debt

Dependency on ODA loans remains high as its share of the external debt, although decreasing, remains at an average of 44 percent for 2001-2006.

A 2000 report by the Commission on Audit showed that the total amount the Philippine government repaid to ODA donors in interest payments, commitment fees and penalties exceeded the principal payments by P3.5 billion (P13.68 billion vs. P10.2 billion).

This does not include other donor charges and fees. In addition, the COA reports a total of P10.34 billion in superfluous, unnecessary and unauthorized ODA expenditures and the underreporting and overreporting of assets.

Tying Aid

The issue of "tied aid" remains a major irritant in Philippine ODA.

Overall, although it has been reported that Japanese tied loans had declined from almost 100 percent in the 1980s to only 27 percent in the nineties, "tied aid" seems to be enjoying a resurgence in the new millennium.

Out of twenty-five (25) Japan Bank for International Cooperation (JBIC) project loans from 2000 to 2004, ten (40 percent) were totally tied, another ten were partially tied, and only three (8 percent) were totally untied.

In terms of loan amounts, 59 percent was totally tied, 28 percent was partially untied and only 2.8 percent was totally untied.

Foreign Consultants

The issue of tied aid is linked to another ODA issue of concern – that of foreign consultants.

Department of Budget officials have complained about "foreign consultants (who) come in and 'call the shots,' ... pushing their own agenda and effectively driving the projects, rather than the recipients, ... proposing solutions that are not adaptable to local situations" and only succeeding in "raising the costs of public services."

Availment Rate

The availment rate of ODA funds, which reflects the country's aid absorptive capacity, has deteriorated from an annual availment rate of 75 percent in 1988-2000, to only 60 percent in the 2000-2006 period.

Many projects have availment rates ranging from 0 percent to less than 10 percent.

Corruption and Transparency Issues

Corruption and lack of transparency are endemic in the handling of foreign assistance funds.

But the decision in March 2007 of President Macapagal Arroyo to remove from the NEDA Investment Coordinating Committee (ICC) the authority to screen and approve all foreign-assisted infrastructure projects has the potential of inviting more corrupt practices and other irregularities.

Donor agencies, led by the World Bank, have sent a memorandum urging the government not only to retain but also strengthen the ICC review process.

Human Rights Concerns

Human rights violations are sometimes associated with ODA-funded projects.

Recent cases reported in 2006 are the forcible displacement of local residents in connection with the Bohol Irrigation Project and the Northern Negros Geothermal Power Plant project.

Earlier, the killing of an environmental activist was linked to his opposition to a major dam project in Northern Luzon.

Social and Environmental Issues

Large infrastructure and power projects, many of which are ODA-funded, often endanger the environment and cause physical dislocations of communities, especially indigenous peoples.

Social conflicts are logical consequences.

In recent years, nine (9) large-scale ODA projects have been identified as socially and environmentally harmful.

China's ODA to the Philippines

- China appears to be filling the ODA gap caused by declining OECD development aid
- Accompanied by surge in trade and investments
- Controversies
 - Lack of transparency
 - Violation of Philippine laws
 - Overpricing
- Questionable Projects
 - Northrail Project
 - National Broadband Network

Other Implementation Issues

Long-running problems in implementation continue to fester such as:

1. uncompleted projects,
2. loan cancellations,
3. budgeting issues and lack of local counterpart funds,
4. limited capabilities of local government partners,
5. procurement problems,

6. right of way issues,
7. resettlement and relocation,
8. project cost overruns,
9. frequent changes in heads of implementing agencies, and
10. legal cases.

Some Possible Best Practices

- 1. Communal Irrigation Development Project (CIDP) – World Bank
- 2. Elementary Education Project – Japan Bank for International Cooperation (JBIC)
- 3. Alliance for Mindanao Off-Grid Renewable Energy (AMORE) – US Agency for International Development (USAID)

Policy Recommendations

Donor governments and agencies

- 1. Increase ODA allotments for the Philippines
- 2. Significantly improve the GNI percentage
- 3. Realign the loan-grant mix
- 4. Increase the human development share
- 5. Address social and environmental concerns
- 6. Delink aid from the “war on terror”, particularly in Mindanao
- 7. Address the foreign consultants issue

Philippine government

- 1. Fix implementation problems
- 2. Plug the hemorrhage of gov't funds in loan repayments
- 3. Focus on alternative, long-term, and sustainable sources of development financing
- 4. Strictly follow legal requirements in negotiating loan agreements
- 5. Adopt a policy of transparency and popular participation in all ODA transactions
- 6. Re-evaluate government policies and thrusts on ODA

- END -



Impact Alliance

Connecting Capacity for Social Change

Developing and diversifying our opportunities through networks

Sophia Mungai
The Impact Alliance



Priorities for economic growth

- More & sustained economic growth
- More investment in local enterprise
- Better social welfare
- Less poverty
- Less inequality
- Innovation

www.impactalliance.org



Local Economic Development (LED)

- An integrated and collaborative approach to planning, business development and finance.
- Enables communities to:
 - attract investment
 - enhance their competitiveness
 - retain jobs
 - improve incomes

www.impactalliance.org



LED for pro-poor growth

- Support small and medium-sized enterprises
- Support informal and emerging businesses
- Promote development of new enterprises
- Promote external investment (nationally and internationally)
- Target disadvantaged groups

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Effective LED: attributes

- Shared aspiration(s)
- Trust and confidence among multiple actors for effective collaboration
- Enthusiasm and confidence for investment and entrepreneurship
- Information, knowledge and innovation to address local priorities
- Ways to sustain appropriate practices
- Frameworks to sustain relationships

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Effective LED: coordination

- Brokering linkage
- Information sharing & learning
- Generating knowledge & innovation
- Sustaining relationships
- Sustaining enthusiasm

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Lessons from networks

- Sharing and learning: tools, ideas and experiences to address complex issues
- Knowledge & innovation: space to reflect, conceptualise, design, experiment, evaluate
- Sustainability: the motivation, enthusiasm and other resources to sustain multiple relationships and activities

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The Impact Alliance & learning

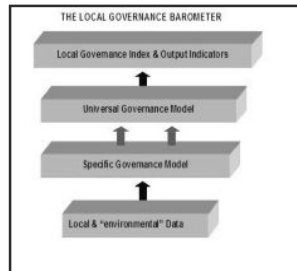
- Sharing information, knowledge & ideas; debate & dialogue
- Improving performance and effectiveness of members
- Organisational and institutional themes:
 - Managing for Impact
 - Governance
 - Leadership
 - Civil Society
 - HIV/AIDS
- Motivated and enthusiastic exchange enhances capacity and opportunities to achieve individual missions.

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The Impact Alliance & innovation

- Pooling the expertise available in different organizations
- Providing a 'safe' space for sharing of intellectual property and other resources
- The Local Governance Barometer (LGB):
 - to strengthen and sustain the capacity for effective development and good governance at local levels
 - to quantitatively express the level of good governance of a given situation (area, sector)
 - participatory assessment involving key stakeholders
 - supports multi-stakeholder engagement in localisation of the MDGs



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The Impact Alliance & relationships

- Shared aspirations
- Diverse missions
- Mutual respect
- Demand driven
- Multicentric
- Non-directive coordination

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Concluding remarks

- Engage actors beyond strategic planning; facilitate action learning on investment options and their effects
- Create space and facilitate development of new ideas, approaches & enterprises
- Promoting exchange across countries and regions to tap into a more diverse reservoir of expertise and resources

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The Bangladesh Experience – Savings: The Essential Foundation for Economic Growth in Low-Income Households

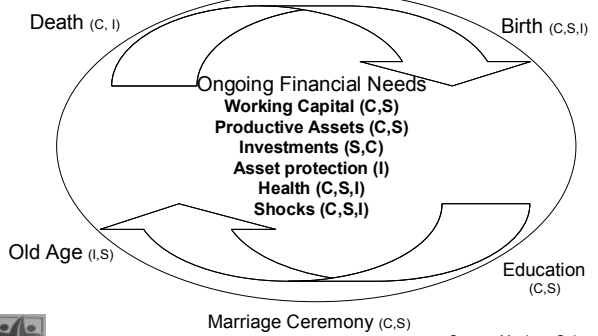
Md. Mosharrof Hossain, Finance Director, BURO Bangladesh

Need for a Range of Financial Services

- ◆ How do poor people manage their savings deposits?
- ◆ Can poor people temporarily realize the value of assets they hold?
- ◆ Can poor people get access to the current value of future savings?
- ◆ Can poor people make provision for known life-cycle expenses?
- ◆ Can poor people secure themselves against emergencies?
- ◆ Can poor entrepreneurs get access to business finance?

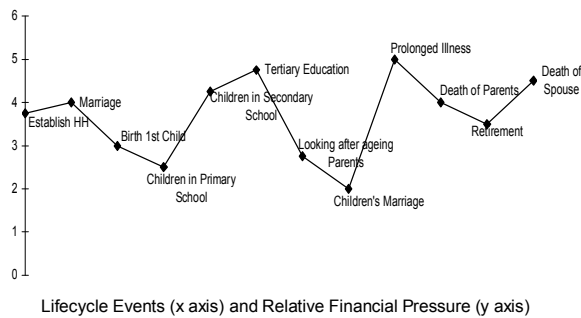
Diverse Services Driven By Diverse Needs

Household Formation

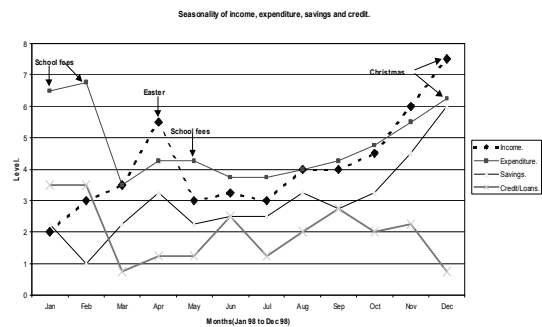


Three Risks & Opportunities for the Poor

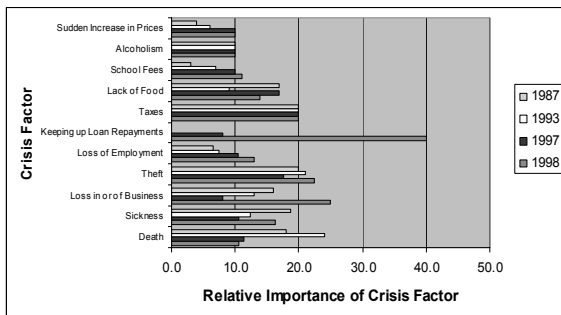
Lifecycle Risks (from Lifecycle Analysis)



Seasonal Risks (from Seasonality Calendars)



Crisis Risks (from Time Series Analysis)



Opportunities ...

Why Poor People Need Savings Services

The poor people need savings services because:

- An enabling environment
- Adequate and effective supervisory capabilities to protect depositors
- Consistently good management of the MFIs funds
- A high level of clients confidence in the institution
- A positive real deposit interest rate
- Flexibility and diversity of savings instruments
- Easy access to deposit for clients

Poor People Look for an Appropriate Mixture of:

1. Ease of access in terms of:
 - a. Distance
 - b. Terms & conditions
 - c. Treatment in office
 - d. Paperwork
2. Security of Deposits
3. Discipline in system
4. Liquidity/illiquidity
5. Interest

Mission

An independent, sustainable, cost-effective microfinance institution that provides diverse, appropriate and market responsive quality financial and business development services at competitive prices along with other social development programs to poor, very poor and vulnerable non-poor customers.

Customers

Criteria (Hardcore Poor)

- owning less than 10 decimals of land
- annual income equal to or less than Tk.6,000
- having assets less than Tk.12,000
- age between 18-60 years

Very Poor

Criteria (Mainstream)

- owning less than 0.50 acres of land
- annual income equal to or less than Tk.18,000
- having assets less than Tk.100,000
- age between 18-60 years

Moderate Poor

Criteria (Micro Enterprise)

- owning more than 0.50 acres of land
- annual income in the range of Tk. 18,000–60,000
- having assets in the range Tk.100,000–300,000
- age between 18-60 years

Vulnerable Non Poor

BURO's Financial Products

Three Savings Products:	Nine Credit Products:	Insurance Product:
<ul style="list-style-type: none"> ● General savings ● Contractual savings ● Time deposit savings 	<ul style="list-style-type: none"> Start up Loan ➤ General Loan ➤ Supplementary Loan Micro-Enterprise Loan ➤ Line of Credit (Overdraft) ➤ Business Loan ➤ Micro-Enterprise Loan Social Loan ➤ Hand/Emergency Loan ➤ Tube-well Loan ➤ Sanitary Latrine Loan ➤ Disaster Loan 	<ul style="list-style-type: none"> □ Customer Security Fund



Uniqueness of Savings Services

- Voluntary savings services
- Open access withdrawals
- Loan is not linked to savings

Voluntary and open access savings can mobilize more net savings than the compulsory locked in savings.



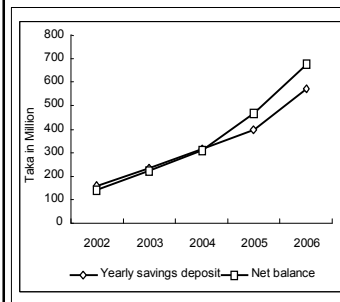
Savings Balance by Products

million taka

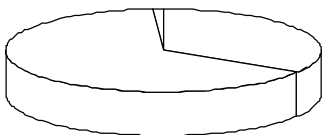
Product	Dec-04	Dec-05	Dec-06	July-07
General	100.28	153.70	234.80	260.20
Contractual	201.79	306.52	439.75	488.50
Time Deposit	6.23	4.33	4.47	5.25
Total	308.30	464.55	679.02	753.95
Growth rate	38%	34%	32%	36%



BURO's Savings Services



BURO's Savings Services



- General savings (34%)
- Contractual savings (65%)
- Time deposit (1%)



Conclusion: Savings Benefit All

- The poor are able to access a secure place to save
- Satisfied clients repay their loans more willingly
- The MFI gets:
 - A reliable, stable source of capital
 - Income from loans/ savings service fees
- National economy benefits as informal savings bought into the formal economy

