

Lessons Learned in Improving Replicability
of Successful Microcredit Programs
– How Can the Best Models ‘Travel’ Better

Written by:

Lamiya Morshed, Development Director
Grameen Trust, Bangladesh

TABLE OF CONTENTS

Introduction.....	3
Experience in Bangladesh.....	5
Capturing the Spirit of Microcredit.....	7
Core Features of Grameencredit.....	8
Replication in Practice.....	11
Focus on the bottom poor, especially women.....	12
Procedures that Suit the Poorest Women.....	13
Group Responsibility and Ownership.....	14
Quality of Leadership and Organizational Capacity.....	15
Monitoring, Reporting and Effective Management.....	16
Sustainability.....	17
Necessary conditions and issues.....	18
Socioeconomic characteristics.....	18
Legal Status.....	18
Wholesale Funds.....	19
Legal and Regulatory Framework for Microcredit.....	20
Interest Rate.....	22
Mechanisms for Transfer of Microcredit Technology.....	22
BOT: an effective approach.....	23
Adaptation and Innovation.....	25
Conclusion.....	26
Bibliography.....	28

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Introduction

Microcredit has become accepted over the past 20 years as an effective and sustainable strategy for poverty alleviation and development. Microcredit programs have mushroomed all around the world, and many have grown to become large sustainable financial institutions for the poor.

In 1997, when the Microcredit Summit was launched, the numbers of poorest families reached by the poor was 7.6 million. By the end of 2004, this figure had become 67 million, and has continued to grow. It is expected that the Summit goal of reaching 100 million poorest families with microcredit by 2005 has been reached, and even exceeded.

This rapid expansion and the presence of microcredit programs in more than 100 countries speaks of the replicability and effectiveness of microcredit programs in widely varying social, economic, political and cultural contexts.

The experience of Grameen Trust alone, which has helped to set up projects in 37 countries, shows that the basics of the microcredit program are replicable in very different settings, provided certain basic principles are followed and some preconditions met.

However, with more than 1 billion people living under the poverty line today it is not enough for microcredit merely to be replicated. More important is that it should reach the very poor, and ensure that those reached can come out of poverty within a definable time frame.

The Microcredit Summit has announced two new goals to be reached by 2015, harmonized with the United Nations Millennium Development Goals, which include reaching 175 million poorest families with microcredit, and ensuring that 100 million of those families have graduated out of poverty, by 2015.

If the campaign is to be successful, policy makers and practitioners have to work together to find innovative and cost effective ways to reach the poorest quickly, and help them work their way out of poverty through their own efforts.

This Summit provides an opportunity for us to review our collective efforts over the last two decades and distill from these experiences what have been the main lessons learned. While there is no easy formula to be applied, these lessons can help provide a road map for future expansion in microcredit, and may avoid the costly mistakes of the past.

This paper will attempt to review what the main factors are that have made the replication of microcredit possible in different contexts, as well as how it has been scaled up successfully.

The paper tries to highlight what are the best practices that have translated well across countries, and when adaptations are needed or appropriate. It also discusses what preconditions are needed for microcredit to be successful and what steps can be taken to enable microcredit to flourish.

While the paper will touch on different models of microcredit, it will mainly focus on replication of the group-based approach originated by Grameen Bank, which is the model that has been most widely followed and adapted around the world.

Experience in Bangladesh

The experience of the Grameen Bank in Bangladesh is very well known. Started as an action research project in 1976 Grameen Bank is the largest bank in the world working exclusively for the poor. Today it provides loans to 6.6 million poor people, 96 per cent women, in almost all the villages in Bangladesh. It has disbursed, cumulatively, a total of more than US \$ 5.7 billion in loans, of which US\$ 5.1 billion has been paid back. The repayment rate in July 2006 was 99%. (GB Monthly Statement, September 2006).

Grameen Bank is financially self reliant and makes a profit. Grameen Bank has not received any fresh donor money since 1995. (GB at a Glance, 2006). Grameen Bank plans to reach 12 million borrowers by 2010. All this expansion is taking place with Grameen Bank's own deposits, mobilized from both its members as well as the public, which are growing at a rate to support the expansion of the branch network. (Yunus, 2006)

Grameen Bank gives income generating loans, housing loans, student loans (as well as scholarships) and microenterprise loans to the poor families. It has begun giving, in recent years, interest-free loans to beggars and reached by August 2006 more than 74,000 beggars across Bangladesh. Most distinctively, the bank is owned by its borrowers.

Many external studies have been conducted on Grameen Bank, including a 1995 study by the World Bank, which have shown that Grameen Bank has reduced poverty among its clients, as well as in the villages in which it operates at large, increasing opportunities for the entire community.

Grameen Bank itself regularly undertakes an internal survey which most recently has shown that 56% of its borrower families have crossed the poverty line by 2005 on the basis of ten indicators set by Grameen Bank to track impact of its program on the poor families that it serves. These

indicators, which include size of loan, amount of savings, housing condition, furniture in the house, provision of pure drinking water, sanitation and warm clothing, education of the children, etc., were developed by Grameen Bank as appropriate for the context in which it works.

But Grameen Bank has not stopped there. To ensure that the next generation within the Grameen families can sustain the gains made by Grameen's members, the Bank is giving scholarships to children of members as a way of encouraging them to get better grades in schools, giving priority to the girl child. By August 2006, 31,164 children had received scholarships. Students who succeed in reaching the tertiary level of education also have the opportunity to take higher education loans. So far nearly 12,000 students have received such loans.

Grameen Bank provides micro-enterprise loans, to those members who have been successful in building up their income generating activities quickly. More than 933,000 micro-enterprise loans amounting to US\$ 316 million have been provided to support activities such as the purchase of trucks, power-tillers, irrigation pumps, transport vehicles, river-craft for transportation and fishing.

Another very significant innovation of Grameen Bank has been in the field of technology for the very poor. The Village Phone Program brings internet enabled mobile phones to the Grameen borrowers, making available the services of "telephone ladies" in more than half the villages of Bangladesh, usually where this service never existed in the past. Grameen's Village Phone Program is an example of how technology can create powerful change in the lives of the poor.

By August 2006, there are over 250,000 telephone ladies selling telephone services who run very profitable business with these phones. Many of these phones are being powered by solar power, provided by Grameen Shakti, because electricity does not exist in those villages. Grameen has also begun

to provide internet services through mobile phones. Other Grameen companies have been created to bring both information technology and education to the poor people of Bangladesh and build IT capacity in Bangladesh.

In 2006, Grameen has teamed up with Danone Foods, a leading global foods company, to bring nutritious and affordable foods to the poor families in rural areas, through a social business enterprise called Grameen Danone Foods. The first production unit, currently being established in Bogra, north of Dhaka, is set to begin operation in November to produce a nutritious dairy product for children.

Thus, Grameen Bank not only provides financial services to its members, but with the rest of the Grameen family of enterprises has been working to meet the diverse economic and social needs of its clients. It has strategically used its existing network and infrastructure to bring a host of opportunities to its members, their families and to the communities in which the members live, demonstrating that microcredit can be foundation stone on which poor people can build better futures for themselves and their families in a wide array of ways.

In Bangladesh today, Grameen Bank and other large and small microcredit programs are estimated to reach 15 million poor families by the end of 2005, making it the most saturated microcredit market in the world.

Capturing the Spirit of Microcredit

By and large the programs in Bangladesh, and many of the microcredit programs around the world, have followed the group based approach of Grameen Bank. It is therefore useful to look at what are the main features of Grameen Bank to understand how this approach has spread so rapidly in Bangladesh, and increasingly around the world.

At Grameen Trust more than exact replication of every feature of Grameen, the emphasis is for programs to capture the philosophy and spirit of Grameen Bank's program.

Grameen operates on the assumption that poor people have skills which remain unutilised or under-utilised because of lack of opportunity. Professor Yunus says "If we can unleash the energy and creativity inherent in each human being, only then can we eliminate poverty. Poverty is not created by the poor; rather it is created by the institutions and policies which surround them. To reduce poverty in a sustainable way, we have to make appropriate changes to existing institutions and policies, only then can we eliminate poverty."

Grameen created a user friendly methodology and institution around the financial needs of the poor, and created access to credit on reasonable terms enabling the poor to build on their existing skill to earn a better income.

This is the essence of microcredit as implemented by Grameen, and it is this spirit that needs to be preserved when projects are replicated.

Core Features of Grameencredit

From this philosophical starting point, we can turn to the practical aspects of implementation of microcredit. Professor Yunus in his article entitled "What is Microcredit?" (Yunus, 2004) outlines the core elements of Grameencredit that have made it effective in reducing poverty in Bangladesh, and which distinguishes it from other types of finance. It is worthwhile to reproduce the general features of Grameen microcredit, as seen by its founder:

"General features of Grameencredit are:

- (a) It promotes credit as a human right.

- (b) Its mission is to help the poor families to help themselves to overcome poverty. It is targeted to the poor, particularly poor women.
- (c) The most distinctive feature of Grameencredit is that it is not based on any collateral or legally enforceable contracts. It is based on "trust", not on legal procedures and system.
- (d) It is offered for creating self-employment for income-generating activities and housing for the poor, as opposed to consumption.
- (e) It was initiated as a challenge to the conventional banking which rejected the poor by classifying them to be "not creditworthy". As a result it rejected the basic methodology of the conventional banking and created its own methodology.
- (f) It provides service at the door-step of the poor based on the principle that the people should not go to the bank, bank should go to the people.
- (g) In order to obtain loans a borrower must join a group of borrowers.
- (h) Loans can be received in a continuous sequence. New loan becomes available to a borrower if her previous loan is repaid.
- (i) All loans are to be paid back in installments (weekly, or bi-weekly).
- (j) Simultaneously more than one loan can be received by a borrower.
- (k) It comes with both obligatory and voluntary savings programmes for the borrowers.
- (l) Generally these loans are given through non-profit organizations or through institutions owned primarily by the borrowers. If it is

done through for-profit institutions not owned by the borrowers, efforts are made to keep the interest rate at a level which is close to a level commensurate with sustainability of the programme rather than bringing attractive return for the investors. Grameencredit's thumb-rule is to keep the interest rate as close to the market rate, prevailing in the commercial banking sector, as possible, without sacrificing sustainability. In fixing the interest rate market interest rate is taken as the reference rate, rather than the moneylenders' rate. Reaching the poor is its non-negotiable mission. Reaching sustainability is a directional goal. It must reach sustainability as soon as possible, so that it can expand its outreach without fund constraints.

- (m) Grameencredit gives high priority on building social capital. It is promoted through formation of groups and centres, developing leadership quality through annual election of group and centre leaders, electing board members when the institution is owned by the borrowers. To develop a social agenda owned by the borrowers, something similar to the "sixteen decisions", it undertakes a process of intensive discussion among the borrowers, and encouraging them to take these decisions seriously and implement them. It gives special emphasis on the formation of human capital and concern for protecting environment. It monitors children's education, provides scholarships and student loans for higher education. For formation of human capital it makes efforts to bring technology, like mobile phones, solar power, and promote mechanical power to replace manual power."

These elements of Grameen Bank work together to make it an effective and sustainable institution geared exclusively to the needs of the poor.

Replication in Practice

As Professor Yunus states in his article not every Grameen type program has to have all the features mentioned above. Some programs may emphasize some of the features, while others may emphasize other features but, on the whole, they share many of these basic features to distinguish them as Grameen type programs.

Since 1989, Grameen Trust (GT) has played a role in promoting the set up of Grameen type microcredit programs in Bangladesh and elsewhere. GT was created in response to an international interest in learning from Grameen. It began by providing training but over the years, has been providing a host of support services to organizations to help set up microcredit programs around the world which range from financial support to technical consultancy to training programs and workshops, to publications related to replication.

By June 2006, GT partners had collectively reached more than 3.14 million poor families with microcredit in 37 countries in Asia and the Pacific, Europe and Africa, and the Americas.

At Grameen Trust, replication of Grameen refers to the adoption by organizations of Grameen's set of inter linked principles and procedures that delivers credit cost effectively to the poor as a means to reducing extreme poverty.

While programs may adopt these practices, most microcredit projects face problems at different stages of their development. A number of problems may arise during the experimental stage, others develop during program development and implementation, and still others develop even after a program has been running for many years.

While there is no easy formula that produces quick results, projects that have been able to scale up their programs to reach large numbers of poor people, reduce poverty and progress towards sustainability in many different settings, share the following features:

Focus on the bottom poor, especially women

Experience has shown that poor women prove to be better microcredit clients than men. Poor women tend to use their loans for income generation rather than consumption. They are therefore better able to keep up with weekly payments. This is so because they tend to invest the gains that they make from credit into meeting more effectively the needs of the family. In other words women prove to be more effective agents of change and development. Among Grameen Trusts 137 partner organizations, 94% of the clientele are women.

It is important to target the program from its outset at the most poor segment of the community. It is often assumed that those who are not the very poor would be less likely to default than the very poor, when the exact opposite is true. Since those who are not very poor have alternative sources of income, experience shows they are most likely to default, usually because they do not want to keep up with the rigors of a microcredit program. The poorest on the other hand work hard to keep their credit line with microcredit program open, since the terms are much more reasonable than loan sharks from whom they normally have to borrow.

Nearly all of the replications begin operations in areas where few organizations have worked before and with a target group that has been left out most development programs. There is therefore frequently suspicion of a program's motives. The management and staff of microcredit program have to work hard to persuade the really poor to join the program, and when they do, to stay with the program. Thus, motivation of potential members of the

program becomes an important aspect in including the very poor in the microcredit program.

Procedures that Suit the Poorest Women

1. Microcredit programs are successful because they tailor their programs to meet the needs of the poor in a variety of ways. There are many elements that contribute to loan conditions and procedures that are suitable for the poorest, but most important among these is that no collateral or external guarantee is required. This has been the feature that has enabled the poorest people to participate in microcredit programs. The self selection and screening that members themselves perform replaces the need for collateral by ensuring that reliable people are brought into the program.

2. A second very important element is banking at the doorsteps of the very poor. In most poor countries, the poorest women are unable to travel long distances or even out of their villages. Grameen Bank and other microcredit programs have succeeded in bringing poorest women into the fold of the program by delivering the financial services to their doorsteps, which makes it both convenient and safe for the members. Added to this, the fact that procedures are simple and transparent makes it easy for poor women to participate, particularly since many are illiterate.

3. It is important for the initial loans to be small, which grow bigger as the poor member gains the capacity to repay. Ensuring that the member herself chooses the economic activity that she is going to undertake is also key to helping the activity succeed, as they build on skills that the women already have.

4. Frequent repayment helps poor women not feel the burden of having a loan as much, since the amount of installment, usually weekly, are small and manageable.

5. Members become eligible for larger loans as they repay each loan successfully, as part of a process that would enable her to eventually overcome poverty over a five to ten year period. This also serves as an important incentive for the members to stay with the program.

6. Savings form an essential part of microcredit programs. Voluntary savings that the poor can withdraw in times of need is important, while compulsory savings component which can be withdrawn during times of need provide a safety net in an emergency.

Group Responsibility and Ownership

A very important factor in maintaining the cohesiveness within the membership of the program is for the members to choose each other themselves as well as for them to select their own loan activity. Microcredit projects, often to speed up the process of forming groups and centers, will select the borrowers. But this prevents the sense of collective ownership and responsibility from developing. Groups of five works best at Grameen Bank because it allows interaction and easy management. Many programs undertake staggered disbursement of loans, and selecting other members of the group from among people they know, all of which help peer pressure and support to come into effect. If the microcredit program allows the group members and center members to solve their own problems themselves this would members feel that they own the program over time.

Quality of Leadership and Organizational Capacity

The vast majority of problems that arise during set up phase of microcredit programs do so because there has not been adequate preparation to implement the microcredit program, or there is not a complete understanding or training of the principles of microcredit. Since implementing microcredit is a difficult task, committed leadership is an important requirement; that is leadership that will see the project through the inevitable teething problems

that arise. Where there is a full time CEO and a full time trained staff to support the CEO, there is greater likelihood of success. Many projects are abandoned early because of a lack of these, leading many to conclude that microcredit is not in fact replicable in certain contexts, when the reality is that real efforts at replication were not made.

Problems arise when there is inadequate training of staff; that is when the philosophy and practices of microcredit are not properly assimilated. Although it may not be possible for microcredit projects to provide the rigorous 6 month practical training that Grameen Bank gives to its staff, an immersion training program at Grameen or other microcredit programs appears to be important for success.

There is already a great deal of expertise within established microcredit programs which may be tapped to avoid making costly mistakes. The core of the training of microcredit program staff is immersion training with exposure to field-level operations, understanding the principles on which the operations are based, and learning by doing.

Monitoring, Reporting and Effective Management

Experience among microcredit programs has shown that close supervision of field staff by management is important especially at the outset. If the branch managers spends long hours in the field with field staff, morale among both field staff as well as borrowers will remain high.

At the members' level, staff interacts frequently with members and carries out frequent checks to see if members have used their loans and for the purposes that they stated when they applied for the loan, providing guidance and support to the members throughout. This close relationship and interaction, as well as the spot checks, take place more intensively at the

outset, when the groups and centers are initially established and can become less frequent as members repay reliably and a track record is set.

Weekly and monthly reports by the microcredit projects generally include statistical and narrative sections which can be tracked especially to pick up early warning signs such as missed payments as well as missed attendance at meetings, which is often a precursor to missed installments.

Computerization for microcredit programs such as Grameen Bank that have introduced it, helped this process tremendously, and significantly brought down the cost of monitoring.

An important feature of successful replications of Grameen is transparency of the programs and disciplined organizational practices. Procedures are simple and financial transactions take place in front of borrowers.

Reasons for granting or rejecting loan applications are openly discussed in meetings. It is clear that the frequent and close interaction between the staff and the members is crucial for the success of the program since transactions are based on human relationships rather than any legal contract.

Taking banking services into remote villages is an exacting task, so field staff and managers should be well trained and well paid. Microcredit programs should especially be vigilant about keep excesses such as those seen among MFIs in Andhra Pradesh in recent months to a minimum, and enforcing effective disciplinary procedures as needed.

Sustainability

While most microcredit programs begin with grants, eventually these will not be enough to fuel their expansion. While Grameen Bank attracted a

great deal of international funding in the early years, microcredit programs today compete for much scarcer donor funds. Thus, the management of microcredit programs has to be very creative in organizing funding for their expanding programs.

Ultimately the only sustainable way is through the mobilization of savings or to borrow from commercial financial institutions and markets. For the former, most microcredit programs will have to transform into formal financial institutions, for the latter they have to become efficiently run profitable institutions.

From Grameen Trust experience funding shortage appears to be for the main constraint for the expansion to reach large numbers of the poor. Thus microcredit programs should plan to reach financial self sufficiency within a five to eight year period. For this, it has to have a clear business plan towards this. It would also require staff with financial expertise to plan and implement these plans.

It is important for microcredit programs to be run professionally and in a business like way following clearly formulated business plans, especially as they seek funds from commercial sources and donors.

To become sustainable at an early point, it should become more efficient e.g. in terms of staff productivity, reducing costs, increasing outstanding loans, keeping a nearly 100% repayment rate, diversifying loan portfolio, charging appropriate interest rate to enable it to cover its costs and to attract savings. To attain sustainability, focus on these issues is key.

As of mid 2006, 44 of GT's partners have achieved operational self sufficiency and 36 of its partners have achieved full financial self sufficiency.

Necessary conditions and issues

The last two decades have shown that there are certain preconditions that need to be met particularly with regard to the institutionalization of microcredit. Certain factors can facilitate or impede the implementation of microcredit.

These issues include appropriate socioeconomic characteristics of the context where implementation is taking place, legal and policy framework, and funding mechanisms for support of microcredit.

Socioeconomic characteristics

Microcredit has been found to work better in areas with better infrastructure, relatively easy access to markets and where there is a high density of poor people.

Legal Status

One issue faced by replicators at the outset is that of an appropriate legal status for the operation of microcredit program. Grameen Trust partners have been variously registered as trusts, non-government organizations, semi-government organizations among others. Generally NGOs have been more successful throughout Asia in replicating the Grameen Bank than government agencies, but there are constraints that NGOs face such as not being able to mobilize savings, which is key to becoming sustainable. NGOs also find it difficult to raise funds from commercial sources, set realistic interest rates and so on.

Grameen has been advocating that NGO microcredit programs be allowed to mobilize deposits but only from their members and not from the general public. If this is allowed then the microcredit program can raise all of the resources it needs from local sources. A proviso may be added that the

amount of borrower's deposits that can be mobilized should equal to a certain percentage of the loans outstanding of the microcredit program, for example 75%. Ultimately however microcredit programs should have the option of converting into microcredit banks.

Wholesale Funds

Before microcredit programs can become banks, an intermediate source of funding for microcredit can be wholesale funds. Donor funding for microcredit programs has been shrinking over the years. Increasingly donors are insisting that microcredit programs become financially self sufficient so that they can attract funds from commercial sources. In the period between start up and reaching that stage, however, microcredit programs do require easily accessible funds for expansion and on reasonable terms. One reason that microcredit programs have expanded so rapidly in Bangladesh is due to the Palli Karma Sahayak Foundation (PKSF) which is a wholesale fund. Such wholesale funds, which provide concessional funding as well as technical assistance, and can be an important intermediary source of funds before microcredit programs are able to gain access to commercial funding sources, or are able to become microcredit banks themselves and mobilize enough deposits to finance their loan portfolio.

Legal and Regulatory Framework for Microcredit

Since microcredit is a very different kind of business than regular banking, Professor Yunus has been arguing that a separate legal framework, as well as a separate regulatory body in the form of a Microcredit Regulatory Commission, be created in each country where microcredit operates.

Since microcredit programs implemented by NGOs eventually have an identity crisis about the appropriate legal form that they should assume as

they scale up, the legal framework for microcredit would primarily enable the creation of microcredit banks.

The Microcredit Regulatory Commission would then monitor the activities of the microcredit banks. Professor Yunus argues that the regulatory commission should work closely with the central bank but that it is important for it to be separate since microcredit is so different in character from regular banking.

The law for microcredit bank would encourage NGOs to convert into microcredit banks. NGOs could have the option of converting one or more units of their programs into microcredit banks, and eventually all of their operations as they gain comfort in the formal financial world. Professor Yunus argues that the role of the law and the regulatory body would be to make it as attractive as possible for NGOs to convert to banks and not something that they find uncomfortable or threatening.

In addition to NGOs converting to microcredit banks, microcredit programs from their initiation may be established as microcredit banks.

The law should define clearly what a microcredit bank is in terms of:

- clear definition of microcredit (e.g. condition of no collateral, small initial loan size etc)
- the target group to be reached (e.g. bottom 25 per cent of the population or those on less than a dollar a day)

- preference given to poor women.
- no upper limit for microcredit since loan sizes grow as borrowers' business grows.
- permission for microcredit banks to mobilize deposits from both borrowers and the public, with maximum amount of deposits to be mobilized to be related to the amount of loans outstanding of the organization.

The role of the Microcredit Regulatory Commission as Professor Yunus sees it is not to over-regulate but rather enable microcredit banks to innovate and grow. Since the banks are designed to help the poor, the commission should not control to the extent that microcredit banks' expansion is not limited.

Several Grameen Trust partners such as CARD in the Philippines, CSD in Nepal, Nirdhan Utthan Bank Ltd in Nepal, NSSC in Nepal and YDBP, Indonesia have converted into banks, and so overcome the problem of mobilizing savings.

Interest Rate

An important aspect of the issue of regulation is that there should be no restrictive laws limiting the **interest rate** to be set for microcredit banks. In general, microcredit banks charge interest rate higher than that charged by commercial banks because of the relatively higher cost of administering small size loans. Professor Yunus says practitioners could follow the rule of thumb that the interest rate should be kept within 5-10 percent above commercial rate, and no more than that.

In any case, there should be full disclosure to the borrowers and to the public, of the interest rates being charged and how it is calculated.

Mechanisms for Transfer of Microcredit Technology

Many global initiatives have been established to spread microcredit. Grameen Trust is an international wholesale fund that was created in 1989 to provide support to start Grameen replications in other countries. Grameen Trust started providing start-up money for projects all around the world since 1991.

Grameen Trust provided seed funds for on-lending as well as for operations, training, and technical assistance which enabled these projects to establish their programmes, build track records, and eventually source funds locally and internationally.

The performance, to date, in terms of outreach, repayment rate and impact of the replication projects supported by Grameen Trust has been encouraging. The principles of Grameen Bank have been applied successfully in varying degrees to countries and Africa, Asia and the Pacific, Latin America with very different cultural, socioeconomic and demographic characteristics.

Funded by donors to date, Grameen Trust has supported 138 programs in 37 countries in Asia and the Pacific, Africa, Latin America and Europe. GT has approved more than US\$ 21 million as loans to these partner organizations, who in turn have disbursed US\$ 1.57 billion to more than 3.14 million poor borrowers, 94% of whom are women. If we assume that each family has five members, then GT's support has impacted 15.70 million very poor people in these countries. Most of GT's partner organizations report near 100% repayment rates.

It has also played a role in advocacy working with donors and governments of other countries to establish an environment that is friendly to microcredit, providing on input on development of legal framework for microcredit in countries such as Kosovo and Turkey, among others.

Other organizations and networks that are involved with promotion of microcredit around the world include CASHPOR, Grameen Foundation, FINCA, and ACCION through funding, advocacy, training and technical assistance or a combination of these. FINCA emphasizes examining and learning about a given culture before it sets up operations. For instance, because there are myriad restrictions on charging interest in Afghanistan, FINCA has adapted its methodology and will, instead, use an upfront fee-based model, deducting a percentage from the overall loan amount, rather than charging interest on loans. ACCION has expanded its microlending operation to countries throughout South and Central America, the United States, Africa and India

BOT: an effective approach

In a different type of program, Grameen Trust also goes into a country to create a microcredit program directly on the ground with experienced staff from Grameen Bank, under a **Build-Operate-Transfer** (BOT) contract. Grameen Trust staff set up the program, recruiting and training local staff. This is a very efficient approach which shows good results and can be scaled up quickly. The program can be started quickly, and since it is implemented by highly trained staff, many risks and uncertainties can be overcome. Lag time between a decision to start a program and implementation is minimal. BOT approach can and has contributed to rapid expansion of microcredit in areas where it doesn't exist. Grameen Trust set up successful BOT projects in Turkey, Myanmar, Kosovo and Zambia over the last nine years. This year it has embarked on directly implemented programs in Costa Rica and Guatemala financed by the Whole Planet Foundation.

The program in Myanmar reaches nearly 95,000 members since it began in 1997 in delta region of Myanmar and has been handed over by GT back to UNDP which financed the program. The BOT project in Kosovo which serves families affected by the conflict in Kosovo has reached nearly 6,000 families since the year 2000. The project in Turkey has reached 3,453 members since it started in 2003. The Zambia project reaches more than 2,200 members, and the Costa Rica and Guatemala projects which began in 2006 are each serving more than 500 members.

In July 2006, a small BOT project in tsunami affected Aceh in Indonesia was initiated by Grameen Trust, which will see replication of Grameen in a disaster stricken area. Grameen Trust has also undertaken a fact finding mission to Assam in impoverished Northeastern India to explore possibility of beginning a BOT project there. Negotiations on extending BOT programs in other countries in Latin America, Africa, and even the United States are currently underway.

This approach has been effective in circumventing the need for expensive training in Bangladesh, because training take places on site as the project is implemented.

In the case of BOT projects, more easily obtained permission for easy transfer of funds, opening of bank accounts, and easier international movement of trained personnel with specialist knowledge would greatly facilitate the process of setting up these programs.

Adaptation and Innovation: Examples of Replication in Other countries

Of course many projects have to modify or adapt the group based system to effectively ensure the participation of the poor. The process of adaptation is something often that is achieved as the project is implemented.

Adaptations become necessary in certain contexts. Grameen Trust's BOT project in Kosovo collects installments on a bi-weekly basis instead of on a weekly basis. Pro Mujer in Bolivia provides 4 month loans rather than one year loans because it fits better with the economic activities that the members undertake.

In China, microcredit programs implemented of the Rural Development Institute of the Chinese Academy for Social Sciences work in poor mountainous areas which incurred high costs for the program at its outset especially of time for both staff and members as the branch office is located a great distance from the centers. These programs now implement the microcredit program with the help of village based part time assistants to conduct center meetings and carry out collections and bring them to the branch once a month.

CARD Philippines introduced innovative adaptations to suit the Philippine context, such as the adoption of rural bank status under central bank supervision; vigorous mobilization of voluntary savings; the provision of differentiated, profit-making loan and insurance products; and a broadening of the clientele to include poor and non-poor depositors, while adhering to its mission of lending to poor women only.

Grameen Bank itself has modified its program and products over the years to meet the changing needs of its clientele adding many new loan products, savings products, pension schemes, insurance schemes among others. The process of innovation works best as it happens spontaneously in response to needs of the clientele that the institution is serving.

Many microcredit programs now replicate Grameen Bank as it is today, rather than the classic Grameen and leapfrog to include newer features of Grameen Bank's program. For example, Grameen Foundation is working with local microcredit institutions in Uganda to replicate the Village Phone Program. Similarly Grameen Trust is now replicating through its partners in Bangladesh, Grameen Bank's Beggar Program.

Conclusion

It is useful to see that Grameen Bank itself came about through a process of replication. Professor Yunus talks about replicating the second group in GB from the initial group. If you have one group then the project has begun. A second group replicates the first group. The organization forms one centre of eight groups through a series of replications. When you form your second centre, you replicate the first and so on.

Although there are certain essential features, practitioners are successful if they have necessary freedom for innovation to deal with problems at the branch level. Innovations work best when they are not imposed from the top, but rather are developed in response to realities faced by members as they implement their micro economic activities.

One thing that Grameen resource persons observe at projects that they visit projects in different countries is that nature of poverty is similar in most places and the poor respond in similar ways. Women, no matter how poor, it is found, are good savers and borrowers.

It is argued by some that all poor people are not entrepreneurs and cannot benefit from microcredit. However, poor women everywhere have a common drive and desire to improve the conditions of their families so that their children can have a brighter future than their own. Exposure to entrepreneurship can encourage enterprise. This has been demonstrated

very strikingly in Bangladesh where women in rural areas have traditionally been very sheltered and in many cases have never handled money in their lives. These same women have gone on to become successful entrepreneurs. Microcredit programs create a counter culture in the communities in which they work.

Leaders of microcredit institutions know that it is a process. It takes time, especially in the initial stages. They need to have a guiding long term vision of what the institution wants to achieve. Staff members need a lot of courage, innovation, and a sense of responsibility and commitment to realize their goals. But it can be done.

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