

# annual report 2006



## Foreword by Allert van den Ham, Chairman

For MicroNed and for donor cooperation initiatives, 2006 was a milestone year. It was the year that the organisation effectively took off, with the establishment of the secretariat in May. MicroNed was set up in order to strengthen and coordinate the joint contribution to the micro-finance sector of the Dutch co-financing organisations: Cordaid, Hivos, ICCO and Oxfam Novib. MicroNed's goal is to improve the quality of services provided and increase the efficiency and effectiveness of all operations. We envisage a joint ambition level for the longer term, in which coordination and collaboration in countries and regions, as well as on microfinance themes, play a central role.

On several important fronts, 2006 was a year of initialisation and preparation. The jointly formulated policy framework for seed-capital support for starting and emerging microfinance institutions (MFIs) guarantees a certain quality of services from MicroNed members. The joint financing of Imp-Act and Day For Change shows what can be done to create efficiency gains in the 'Dutch offer'. Several working groups were created to coordinate MicroNed's activities in the chosen focus countries and for joint expertise development on certain themes. A staff training plan was formulated, and a promising start was made on developing the MicroNed website



*Allert van den Ham*

([www.micro-ned.nl](http://www.micro-ned.nl)) and extra-net, facilitating communication between staff members so that they can share experiences and learn from each other. In 2006, MicroNed laid the foundation for a promising future. •

## Mission and aims

### Mission

For starting entrepreneurs in developing countries, a small loan can mean the difference between economic independence and a life lived in the direst poverty. A modest amount of borrowed money, invested in basic items such as plants, livestock or equipment, can help an individual to earn a living and eventually, perhaps, offer employment to others, creating wealth for the community. Such loans almost always come from microfinance institutions (MFIs). While these have been extremely successful, and are consequently growing in number, there is still a pressing need for many more.

MicroNed was founded to help support emerging MFIs, so that more of the world's poor have access to essential seed money to help them work

their way out of poverty and build a future for themselves, their families, and their communities.

### Aims

MicroNed aims to improve access to finance, as a means of reducing poverty. In order to reach this objective, MicroNed intends to improve service quality, increase efficiency, and facilitate synergy of its members, so as to achieve:

- Improved performance among MFIs in terms of breadth and depth of outreach, portfolio quality, viability and impact.
- Increased total funding for the development of starting and emerging MFIs.
- Stronger national and/or regional microfinance sector interventions, geared to the development of an environment that will enable MFIs to flourish. •

# Harmonisation of Policies

The harmonisation of policies is one of the tools that MicroNed is using to improve the quality of its members' microfinance services. In 2006, a joint policy framework was developed for seed capital support for starting and emerging microfinance institutions. It facilitates performance-based financing of young MFIs in a systematic, consistent way. A "seed capital package" consists of a capital grant or loan to the small MFI to

support its portfolio, plus grants for technical assistance and institutional development. The package helps promising MFIs to take their first steps towards becoming completely self-sustaining institutions with access to fully commercial funding.

Looking ahead, a second policy, identified for harmonisation in 2007, is the funding of the credit components of multi-purpose organisations. •

# Coordination in Focus Countries

The MicroNed members support microfinance activities in more than 50 different countries. To start with, MicroNed has selected nine *focus countries*, in which three or four of the MicroNed members are active. For each of these countries, one MicroNed member coordinates all the members' microfinance efforts and is responsible for drafting a country study with intervention recommendations, as well as for a country strategy, taking into account what other MicroNed members and other donors are doing. Special

attention is paid to the creation of an enabling environment for microfinance in these focus countries. Key activities in this regard include: supporting the drafting of appropriate microfinance legislation; capacity building of MFI networks; supporting central services or apex organisations; supporting the establishment of credit bureaus; facilitating links with private-sector training and consultancy providers; stimulating policy dialogue and lobbying activities of MFI networks with government, political parties,

the banking sector, regulatory authorities and national and international donors. In 2006, the country scans of the Philippines and Ethiopia were completed, with many suggestions for interventions by MicroNed's members. Other country scans are being prepared. Our nine focus countries are: Ethiopia, Uganda, Tanzania, India, Indonesia, the Philippines, Bolivia, Ecuador and Peru. •

# Capacity Building and Expertise Development

In 2006, the four MicroNed members had a combined total of 45 staff working in the microfinance sector. Together, they represent a wealth of knowledge and expertise in various microfinance topics and country information. Further capacity building is being strengthened by means of training and workshops, and a website and extranet. The creation of theme working groups composed of staff members facilitates further development of expertise and learning through sharing experiences. The first working groups to begin functioning in 2006 were on social performance management (SPM) and rural financial services.

The SPM working group concentrates on the development of member strategies for supporting partner MFIs in introducing SPM. It closely follows, participates in, and makes use of, international developments and experiences in this field.

The working group on rural financial services works on knowledge development in making microfinance services



accessible to poor rural people in effective and efficient ways, by collecting and systemising international and Dutch experiences and lessons learned. •

# Example Activities: Joint Financing of Day For Change and Imp-Act

## Day For Change

The MicroNed members jointly financed the start-up costs of Day For Change (DFC) and also provided technical input. DFC informs the Dutch public on the concept of microfinance and the way it works in practice, and raises funds for capacity building of microfinance institutions. This way, as stated in its slogan, it aims to make micro credit available for millions of people. From mid March to May 5th 2007, DFC organised several national campaigns supported by different television and radio programmes. DFC provided a micro loan to Dutch primary schools, so children can experience micro credit for themselves. Also, several comedy fundraising activities were organised to collect people's "change" to "make a change". DFC will continue its efforts over the coming years.



## Imp-Act

The four MicroNed members are supporting the Imp-Act Consortium three-year programme to scale up social performance management (SPM) across the microfinance industry. The programme will do three things. First, it will

further the capacity to deliver SPM training on a serious scale. Second, it will nurture and develop the demand for effective SPM through strategic advocacy work in the sector. Third, it will develop guidelines and produce evidence of cost-effectiveness and benefits to strengthen and extend the practice of SPM in the microfinance industry. •

## MicroNed Members



### Cordaid

Cordaid is a non-governmental organisation (NGO) that works for social justice, supporting the world's poor regardless of age, sex, race, religion, or political conviction. Within their microfinance programme, Cordaid supports emerging MFIs, national microfinance associations, training institutes, and lobbying and advocacy activities. Cordaid has a range of products that can be used to tailor funding to specific needs, including short and medium term loans, bank guarantees, seed capital for emerging MFIs, and additional advisory services.

### Hivos

Hivos is a Netherlands-based NGO guided by humanist values: its mission is to contribute to a free, fair and sustainable world where all enjoy equal access to resources,

opportunities and markets. Hivos' microfinance programme is an integral part of the Hivos Access to Opportunities programme, which emphasises initiatives that allow low-income people access to capital, energy resources, advisory services and markets in which added-value can be generated by small-scale producers.

### ICCO

ICCO, the interchurch organisation for development cooperation, provides financial support and advice to local organisations and networks dedicated to improving access to basic services, stimulating sustainable economic development and advancing peace and democracy. ICCO's support to microfinance organisations can be given in the form of knowledge sharing, technical assistance, grants, loans or

guarantees, and is often provided in cooperation with other actors, such as Oikocredit and the Rabobank Foundation. Support is focussed in rural areas.

### Oxfam Novib

Recognising that injustice is the most important cause of poverty, Oxfam Novib is fighting poverty structurally, by starting with defending the basic rights of every human being. In this context, microfinance is not seen as a stand-alone activity, but as a tool to contribute to development. By creating access to financial services, the ultimate aim is to empower poor people and contribute to global equality and social justice. Oxfam Novib aims to support strategic MFIs that contribute to building inclusive micro-finance sectors. •

# 51 Countries

In 2006 MicroNed members supported microfinance organisations with grants in 51 countries.

- Afghanistan,
- Albania,
- Angola,
- Armenia,
- Bangladesh,
- Benin,
- Bolivia,
- Burkina Faso,
- Burundi,
- Cambodia,
- Cameroon,
- Congo,
- Ecuador,
- Eritrea,
- Ethiopia,
- Ghana,
- Guatemala,
- Honduras,
- India,
- Indonesia,
- Kazakhstan,
- Kenya,
- Kyrgystan,
- Liberia,
- Madagascar,
- Malawi,
- Mali,
- Moldova,
- Mozambique,
- Namibia,
- Nicaragua,
- Nigeria,
- Pakistan,
- Palestine,
- Peru,
- Philippines,
- Rwanda,
- Senegal,
- Sierra Leone,
- Somalia,
- South Africa,
- Sri Lanka,
- Sudan,
- Suriname,
- Tajikistan,
- Tanzania,
- Timor Lorosae,
- Uganda,
- Vietnam,
- Zambia,
- Zimbabwe.

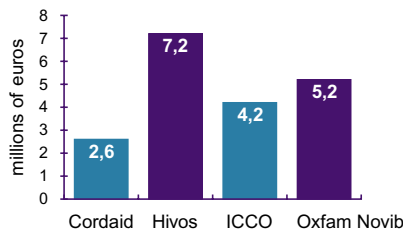
## MicroNed in Numbers

The four MicroNed members granted a total of €19.2 million for microfinance in 2006. The money, which went to 287 organisations and projects, represents an increase of 28% from 2005, when €15 million was granted. The current figure represents 66% of total Dutch grant funding for microfinance (€29.2 million). Hivos donated the most, with a contribution of €7.2 million. Oxfam Novib, ICCO and Cordaid donated €5.2 million, €4.2 million and

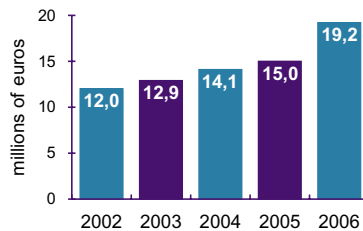
€2.6 million respectively. Over the past five years, from 2002 to 2006, total MicroNed grant funding added up to €73.2 million.

In 2006, Africa and Asia received the bulk of the funds, 39% and 38% respectively. Organisations working worldwide as networks and wholesale lenders received 14%; and the remaining 9% was spent in Latin America (8%) and Central and Eastern Europe (1%).

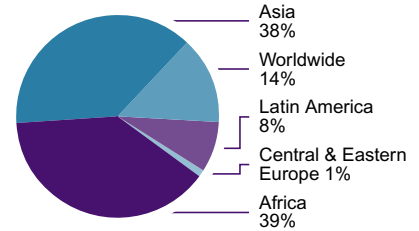
volume of MicroNed member grants in 2006



volume of MicroNed grants 2002-2006



volume of grants according to continent



## MicroNed

### MicroNed Steering Committee

Allert van den Ham (*Hivos, Chairman*), Liliane Ploumen (*Cordaid*), Hans Brüning (*ICCO*) and Theo Bouma (*Oxfam Novib*).

### MicroNed Technical Committee

Jacob Winter (*Cordaid*), Tom Baur (*Hivos*), Gabrielle Athmer (*ICCO*), Bruno Molijn (*Oxfam Novib*) and Resi Janssen (*Executive Secretary MicroNed*).

### MicroNed Secretariat

Resi Janssen (*Executive Secretary*) and Patricia Valim (*Assistant*).

### MicroNed

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