

Stimulating business  
development: another role  
for microfinance?

*Seminar 3: The future of  
microfinance and business  
development services in  
developing countries*

Triodos  Facet

INHOLLAND

## Colophon

This document reports on the seminar entitled 'The future of microfinance and business development services in developing countries' organised as part of the process entitled 'Stimulating Business Development: Another side of microfinance? This process was carried out within the framework of the Development Policy Review Network (DPRN) and organised by Triodos Facet and Hogeschool INHolland. With a view to stimulating informed debate and discussion of issues related to the formulation and implementation of (Dutch) development policies, DPRN creates opportunities to promote an open exchange and dialogue between scientists, policymakers, development practitioners and the business sector in the Netherlands. For more information see [www.DPRN.nl](http://www.DPRN.nl) and [www.global-connections.nl](http://www.global-connections.nl) .

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# Report on ‘The future of Microfinance and Business Development Services in developing countries’

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**Responsible organisations:** Triodos Facet and INHolland

## Introduction

On 19 May 2009, Triodos Facet and INHolland organised a third seminar within the framework of the Development Policy Review Network (DPRN). In line with the DPRN objective to stimulate informed debate and discussion of issues related to the formulation and implementation of (Dutch) development policies, this seminar was the closing seminar of a one-year process, whose objectives were:

- To enhance the understanding of the role of microfinance institutions (MFIs) in providing non-financial services or business development services (BDS) to small entrepreneurs;
- To share information, perceptions and experiences between interested researchers, policymakers and development practitioners concerning (i) the needs of small entrepreneurs for non-financial business services and (ii) the potential role (micro)finance institutions can play in providing these non-financial business services; and
- To use the practical experiences in drafting inputs for the Dutch development policy.

Following the intentions of the DPRN Vision Plan 2008–2010, the seminar was not an event on its own, but was embedded in a process which includes a relay system encompassing a series of three seminars and an ongoing web-based discussion. The discussion of the integration of microfinance into business development services was initiated in August 2008 and ended in June 2009.

This report documents the results of the closing seminar, the theme addressed, the activities realised, the target groups reached and the output and outcome realised, particularly in relation to the DPRN objectives. The seminar programme can be found in Appendix 1, and the list of participants in Appendix 2.

## Background to the theme

Traditionally, MFIs have targeted the poorest of the poor. In promoting social uplifting through providing microfinance services, MFIs have achieved tremendous results which are unprecedented in development cooperation. Access to financial services has empowered and improved the lives of millions of MFI clients.

Worldwide, entrepreneurs have benefited greatly from the improved access to finance. However, notwithstanding the importance of financial services, developing sustainable small enterprises also requires access to non-financial services. For small

enterprises to grow and flourish, they need entrepreneurial competencies and access to markets. Research and experience indicate that access to business development services greatly enhances small businesses' performance, in an economic as well as in a social and environmental sense. Compared to financial services, the level of access to non-financial services on the part of small enterprises is still limited.

We should therefore ask ourselves whether MFIs, with their extensive outreach, can play an even more important role. If MFIs are to be vehicles for integrated business development, the 'traditional perspective' will not do. Instead, the role of microfinance has to be seen from another side. The function must go beyond empowering the poorest of the poor. MFIs should position themselves as facilitators of sustainable economic development and also focus on small enterprises. Furthermore, the traditional service delivery of MFIs may be broadened to include both financial services and business advice.

The question on the role that MFIs can play in improving the access of entrepreneurs to non-financial services has been dealt with in three consecutive and interlinked seminars. The first and the second seminar focused primarily on the current state of affairs in developing countries and the Netherlands respectively. Experiences from these seminars formed the building blocks for the development of concrete policy recommendations and avenues for further academic research in the third seminar. The structure of the process is depicted in Figure 1.

## Main insights from seminar 1 and 2

During the first two seminars, we found that MFIs are currently targeting an ever-widening spectrum of clients. In particular, during seminar 1, the following conclusions regarding the current state of affairs in developing countries were formulated:

- MFIs offer financial services to a wide variety of clients. A small group of MFI clients (estimated at about 5 – 10%) have the potential to develop their business into a small or medium-sized enterprise.
- A variety of non-financial services (ranging from access to markets and business skills training to financial literacy) can be offered to MFI clients.
- MFIs could provide an interesting distribution channel for non-financial services to clients, but there should be no coupling of financial services and BDS.

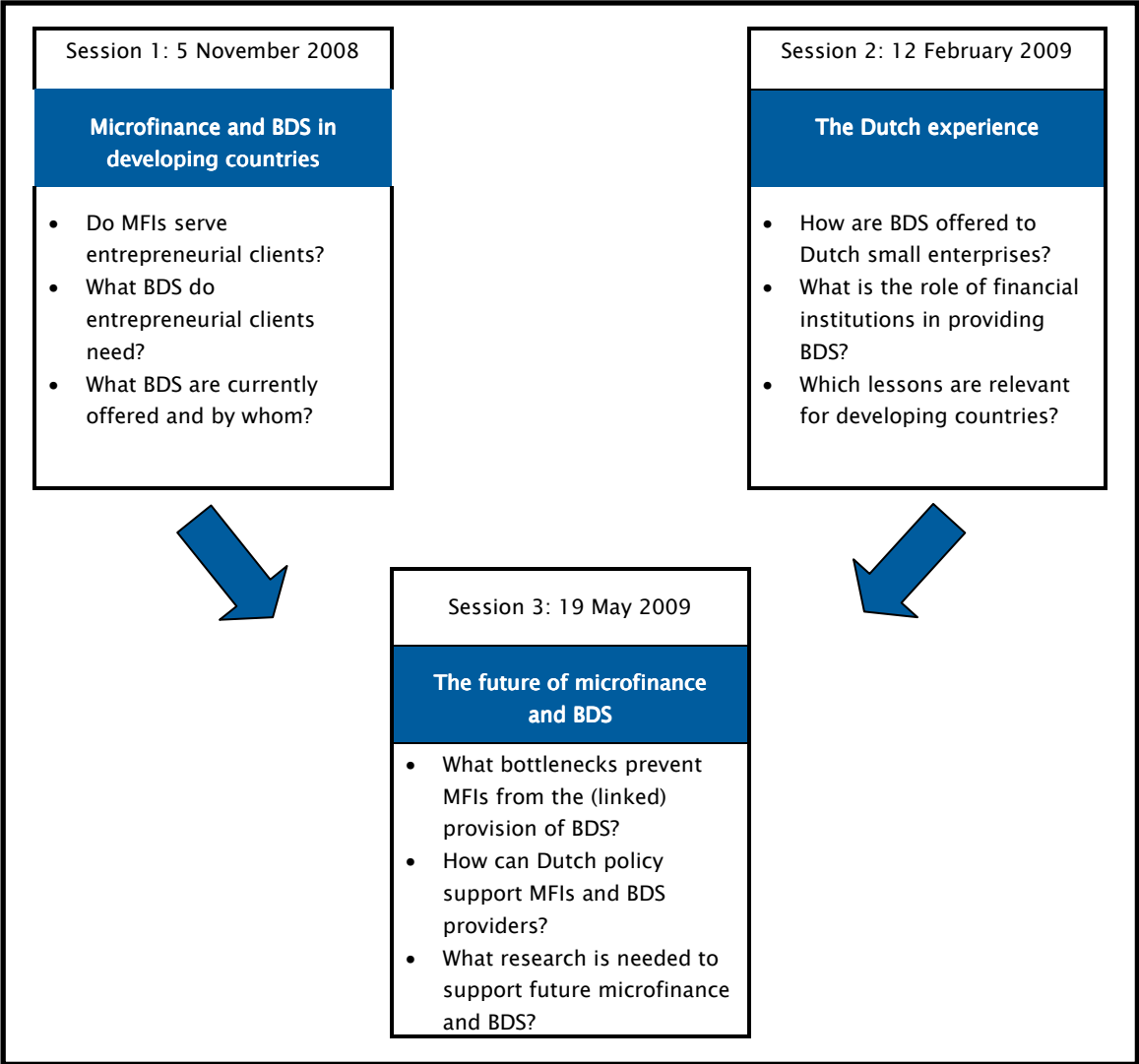
The main conclusions of seminar 2, which investigated the current state of affairs in the Netherlands, were:

- The microfinance industry in the Netherlands is concerned with the size of the potential market and with the economic viability of the microfinance industry.
- At this moment, microfinance providers in the Netherlands do not offer or link to BDS in a systematic way. Nevertheless, the potential benefits of services such as business coaching have been formulated.

Across the board, it was concluded that MFIs – at times in cooperation with BDS providers – have a potentially important role in stimulating business development on a smaller scale. Although MFIs should refrain from becoming involved in SME financing, they can certainly foster the entrepreneurial success of an important segment or their clients, that is emerging

micro-entrepreneurs. Many MFIs assume that by fostering such business development they can improve their contribution to poverty alleviation. However, as yet no specific recommendations on *how* MFIs can more actively stimulate business development have been developed. It seems that MFIs face a number of bottlenecks which need to be overcome. These ‘how to’ and ‘bottleneck’ questions were addressed during the third and last seminar which took place on 19 May 2009.

Figure 1– Overview of the process



**Activities for seminar 3**

In order to achieve informed debate, policy review, common agenda setting and inter-sectoral cooperation, the seminar series was embedded in a process that was targeted at bringing together the various sectors and identifying opportunities for cooperation. To this end the following activities were included in the preparation and implementation of the third seminar.

### 1. *Including the issue on the agenda (preparation)*

Prior to the organisation of the third seminar in May 2009, a stakeholder consultation revealed that policymakers, academics, practitioners and the private sector have a keen interest in exploring the opportunities of microfinance in providing non-financial services. However, many stakeholders acknowledged that MFIs face a significant number of bottlenecks in the provision of such services. Many consulted stakeholders are of the opinion that such bottlenecks can be overcome. However, no consensus was reached as yet. An interesting debate and dialogue was therefore expected to be held on (1) the identification of the most stringent bottlenecks hindering MFIs in the (linked) provision of non-financial services to small businesses and (2) how Dutch policymakers and practitioners can assist in overcoming these bottlenecks. As a preparation to the latter, all participants were required to state what policy measure they would propose in order to stimulate MFIs to contribute to the realisation of a flourishing micro-enterprise sector if they were the Minister of Development Cooperation. As a result, about 80 quotes/opinions of participants were collected and these provided a starting point for the discussions on the day of the seminar. In order to stimulate informed discussion, a list of background literature was also made available (Appendix 4).

### 2. *Seminar 3*

The closing seminar, which took place on 19 May 2009, was both explorative and descriptive in nature. Firstly, after a warm welcome by Triodos Bank director Mr Matthijs Bierman, a successful case of linking financial and non-financial services was presented by Mr Luis Felipe Derteano Marie, president of the Grupo ACP in Peru.

Secondly, an interactive World Café setting was chosen to foster a dialogue among the representatives of the various DPRN target groups. The World Café focused on the following three questions:

- What bottlenecks exist that prevent MFIs providing (or linking) these services to entrepreneurs?
- How can the Ministry of Foreign Affairs help remove these bottlenecks?
- What academic research is needed to make more fundamental policy decisions in this matter?

After the World Café session, a panel consisting of Prof. Dr Robert Lensink (Rijksuniversiteit Groningen), Mr Luis Felipe Derteano Marie (Grupo ACP), Mr Koen Wasmus (Opportunity International), and Mr Klaas Molenaar (Triodos Facet) presented their reflections on the outcomes of the World Café.

### 3. *Follow-up*

The outcomes of the third seminar (the World Café in particular) will be shared with relevant stakeholders. In this respect, Triodos Facet and INHolland would advise DPRN to facilitate a session in which the outcomes of the various DPRN processes will be shared with the Minister of Development Cooperation. In addition, all those who attended seminars 1, 2 and 3 will receive a digital copy of the seminar report.



### Results of seminar 3

The general result of the third seminar was the establishment of a list of bottlenecks which make it difficult for MFIs to engage in the (linked) provision of BDS and an explorative debate on the required policies and (academic) research to overcome these bottlenecks. Below we report on the outcomes of the keynote speech, the World Café, and the Panel discussion.

#### Keynote speech by Mr Derteano Marie

Mr Luis Felipe Derteano Marie (President, Grupo ACP, Peru) delivered a speech called '*Grupo ACP. 40 years of dreams and accomplishments*'. During his speech Mr Derteano Marie reflected on the growth of Grupo ACP, a leading Latin American corporation which offers an interesting alternative to the debate on the integration of financial and non-financial services. Grupo ACP (originally: ACP) was founded in 1969 offering services to small-scale male and female entrepreneurs men and women.

The services ACP offered were meant to include poor people who are currently excluded from certain services. Poverty, in the view of ACP, is a set of exclusions. Many individuals, for instance, do not have access to, or are excluded from, capital, decent housing, health, knowledge and a range of other services. Over time, Grupo ACP set up a specialised company for each type of exclusion whose aim is to foster access to a certain category of services. Today Grupo ACP includes – among many other things – a microfinance bank (Mibanco), an education and training institute (Aprenda), and micro insurance services (Protecta and Secura).

The example of Grupo ACP shows that it is possible to offer both financial and non-financial services within a clustered organisation in a commercially viable way.

#### World Café

##### 1. Bottlenecks which prevent MFIs from the (linked) provision of BDS to entrepreneurs

Following the outcomes of the seminars 1 and 2, and the inspiring example of Grupo ACP, participants generally agreed that MFIs have a potential role to play in the provision of non-financial services. In line with the previous seminars, participants also agreed that MFIs should not necessarily provide BDS themselves and that, at times, these services should be offered in close cooperation with existing BDS providers. Not surprisingly, therefore, when asked to identify bottlenecks which hinder MFIs in the (linked) provision of BDS, two types of bottlenecks were identified: a set of bottlenecks at the MFI level, and a set of bottlenecks at the BDS providers level.

In the table below the most frequently cited bottlenecks at these two levels are included:

Bottlenecks regarding MFIs	Bottlenecks regarding BDS-providers
MFIs are focused on credit provision and do not have time for other services.	BDS providers often lack quality.
MFIs' financial sustainability will be at a risk if they start delivering BDS.	BDS providers do not match clients' needs as they are too theoretical.
MFIs' loan officers do not have the mindset, skills and know-how to engage in BDS.	BDS providers are limited in number.

MFIs can be blamed if BDS leads to business failure; need to avoid conflicts of interest.	BDS providers do not excel in mentoring services.
MFIs are constrained by rules and regulations.	BDS providers do not always understand how value chains function.
MFIs have difficulties selecting the high-potential clients who might need BDS.	BDS may not be cost effective; clients may not be willing to pay.
MFIs lack good linkages to BDS providers.	

### *2. Policy recommendations to overcome bottlenecks in BDS provision*

Although some discussants stated that a certain number of obstacles is good as they can serve as a selection mechanism, in general the consensus was that policymakers and/or practitioners do have a role to play in overcoming the bottlenecks listed above. During the discussion the participants raised the following suggestions:

To improve the quality of BDS one could:

- Train existing entrepreneurs to deliver BDS: entrepreneurs train entrepreneurs ;
- Set up an internet forum through which entrepreneurs deliver BDS towards each other;
- Make use of PUM – Netherlands Senior Experts;
- Make better use of local BDS providers;
- Set quality standards and create branch organisations;
- Make sure that BDS are better adapted to clients' needs.

Other suggestions were to:

- Set up a system in which entrepreneurs pay BDS through vouchers;
- Create a referring model in which loan officers link high potential clients to BDS providers;
- Set guidelines for the selection of high-potential entrepreneurs;
- Stimulate research to further investigate bottlenecks and success stories;
- Create an institution that assists MFIs in delivering non-financial services;
- Give additional funding to MFIs which are engaged in non-financial services;
- Set up guarantee systems for small enterprises.

### *3. Research needs*

During the final part of the Word Café, the discussants listed a number of issues on which further (academic) research is required in order to make more fundamental policy recommendations in this area. In this respect participants suggested that studies be conducted on:

- The impact of BDS on the performance (success rate) of small businesses;
- The identification the most successful type of BDS, e.g. basic skills trainings targeting large numbers, versus the more sophisticated tailor-made business advice;

- The systematisation of best practices in mixing BDS and microfinance;
- The design of a BDS client pre-selection tool with proven selection variables;
- The identification of which type of MFI-clients really need BDS;
- The cost-effectiveness of BDS;
- The cost-effective implementation of BDS provision in fragile environments.

### **Panel discussion**

During the panel discussion, four panel members were asked to reflect on the outcomes of the World Café. The panel members' reactions are summarised below.

*Mr Koen Wasmus (Opportunity International)* is of the opinion that the World Café offers a very good opportunity for in-depth discussions on the linkage between microfinance and BDS and that it goes beyond conventional wisdom. 'It is very interesting to realise that, while popular opinions are easy to form, it is quite difficult to make substantial and well-founded statements in this regard. In fact, there are so many basic questions that still need answers. For example, we still do not know what types of BDS are effective. We also discussed the issue of the market imperative of BDS. If microfinance clients are not willing to (partly or fully) pay for BDS, why should we bother linking it with microfinance? I also think that we should keep aiming for inclusive client relationships. Market forces may cause a divide within the microfinance industry. At the one hand there will be MFIs that will be solely providing financial services to their clients and do so with a profit-maximising motive. However, on the other hand, there will be MFIs that explicitly focus on improving clients' welfare.'

*Mr Luis Felipe Derteano Marie (Grupo ACP)* pointed out that the World Café offers a unique opportunity for dialogue across professions. 'There are not many occasions when academics, practitioners and policymakers meet to discuss issues related to microfinance and when they can learn from and inspire each other. What also struck me is that I realised that the microfinance model is not finished. In fact, if we do not refine our microfinance model as we have it today, we will be in deep trouble. As we realised with Grupo ACP, capital tackles only one part of the problem. We should stimulate microfinance institutions to maintain their human touch, that is, being concerned with the well-being of their clients, rather than only looking at their profit and loss account. Microfinance institutions that are aligned with their clients' needs will also offer BDS or will link to existing BDS providers'.

*Mr Klaas Molenaar (Triodos Facet / INHolland University of Applied Sciences)* emphasised the need for reflection. 'We should look critically at the current situation. In the quest to improve the performance of microfinance clients, we tend to assume that these clients are all ready for growth. As a result, MFIs are tempted to engage in SME finance and forget about the real needs of these entrepreneurs. We should not only be concerned about offering non-financial services to these entrepreneurs with growth potential, but also about offering non-financial services to the poor. These services are not so much aimed at the business, but merely at developing the person. Moreover, the model of Grupo ACP offers interesting research opportunities and may, for example, lead to higher interest rates.'

*Prof. Dr Robert Lensink (Rijksuniversiteit Groningen)* underlined the fact that the World Café has provided a lot of questions that still need answers. ‘In fact, there is very little we know about effectively linking BDS and microfinance. For example, what is the impact of different BDS on clients? In addition, we still do not know which actor should provide BDS. Yet, the research that I recently conducted reveals an interesting distinction between MFIs that focus on financial services and MFIs that also provide non-financial services. The ‘finance only’ MFIs scored better on indicators related to financial performance. Yet, the ‘finance-plus’ MFIs score better on social indicators and reach more poor people. These two archetypes of MFIs need more researching.’

## Contribution to the DPRN objectives

### *Stimulating informed debate*

The DPRN mission is to ‘stimulate informed debate between scientists, policymakers and development practitioners’. The seminar series, which is a continuous process, contributes to the DPRN objectives as it actually brings together representatives of the various sectors. During the all three seminars, and especially during each seminar’s World Café session, informed debate was very much encouraged.

Furthermore, throughout the seminar series Triodos Facet and INHolland maintained a seminar website with a substantial number of background articles to put participants on a par with the current line of academic thinking in the field. Prior to each of the three seminars, the listing was updated with articles with a specific relevance for the seminar at hand (see Appendix 4). The seminar’s ‘Library page’ also contained a section in which inputs from participants were displayed.

Furthermore, during the seminar, the participants were briefed on the latest practical insights by means of the aforementioned keynote speech by Mr Derteano Marie and a recent working paper on microfinance institutions and non-financial services by Prof. Dr Lensink.

### *Involvement of relevant partners*

For each of the three seminars, potential participants were asked to answer a number of questions related to, for instance, their experience in microfinance and BDS, and their opinions on the seminars’ main issues. These answers were used to make a well-balanced selection of seminar participants. As a result of this, the seminar series has satisfied the objective of bringing together academics, policymakers and development practitioners, including the private sector.

Appendix 2 lists the participants in the third seminar and their respective backgrounds. This overview shows that the conference was attended by 62 people, 23% of whom were researchers, 5% were policymakers, 35% were practitioners, 32% represented the business sector and 2% belonged to other groups.

### *Relevance for policy and practice*

The debate links up well with the development of policy at the Dutch Ministry of Foreign Affairs. In order to ensure this linkage, during the first seminar, a representative of the Ministry (Mr Hans van der Veen) was given the opportunity to present the policy brief ‘*Notitie financiële sector ontwikkeling – toegang tot financiële diensten voor effectieve armoedebestrijding*’. In subsequent seminars, representatives from both the Ministry of

Foreign Affairs and the Ministry of Economic Affairs actively contributed during the World Café sessions.

The overwhelming number of applications by development practitioners in the case of all the seminars clearly illustrates this sector's need for an informed debate on the possible integration of financial and non-financial services.

Finally, the main outcomes of the third and last seminar are a series of suggestions for new policies and avenues of academic research. Given that they directly follow from a series of three interactive debates in which participants of various sectors participated, these suggestions are likely to be relevant for both policy and practice.

#### *Enhancing cooperation and synergy*

Following the first meeting in November, during which the current state of affairs in developing countries was discussed with a large representation of practitioners from Development Corporation, a rather different group of experts participated in the second meeting which focused on the Netherlands. Interestingly, participants from both previous seminars were present at the third seminar. As such, an interesting networking opportunity was created during which not only experts from the different sectors were present, but also experts on both the Dutch and the 'Southern' microfinance environment. The latter resulted in interesting synergies. Some participants even enthusiastically stated that these kinds of short seminars should be continued in order to further strengthen the networks.

## Reactions and evaluation

81 people registered for the third seminar using the on-line registration form. Of these, only 60 were able to participate due to the limited space available in the seminar venue. The participants' reactions during and after the seminar are listed below:

#### *Aspects appreciated by the participants ('tops'):*

- The inspirational keynote speech by Mr Derteano Marie
- The interactive setting of the World Café
- The networking opportunities

#### *Suggestions for improvement ('tips'):*

- The panel discussion should have been longer

## Plan for follow up

The third and last seminar was the conclusion of a series of three. Together, these seminars culminated in a better understanding of the needs of entrepreneurs for non-financial services and the bottlenecks facing both MFIs and BDS providers as regards providing these services in both the Netherlands and in developing countries. Furthermore, experts from the various sectors have contributed to a listing of policy recommendations and future research needs. In addition to the outcomes of the seminar meetings, the process has resulted in a website with a well-documented library page containing articles on microfinance, business development services and the linkages among them.

In order to sustain the outcomes of this seminar series the following suggestions for follow-up can be made:

Firstly, a session could be organised in cooperation with the other institutions organising DPRN processes so that the outcomes of the various DPRN processes can be shared with the Minister of Development Cooperation.

Secondly, academic institutions, such as the INHolland Center for Microfinance, should be stimulated to take up the challenge of dealing with the research suggestions which were expressed by the seminar participations.

Thirdly, and in relation to the second point above, regular meetings should be organised at which researchers could present the studies which followed from the suggestions raised during the seminars. In the event of such meetings being organised, the seminar series participants should be sent invitations. Doing so will help to sustain the newly established networks and possibilities for cooperation.

Finally, a formal platform should be created at which the collected materials on microfinance and business development services are maintained and updated. The INHolland Center for Microfinance and the Netherlands Platform for Microfinance could play a role in the maintenance of these materials.

## Appendix 1– Programme of seminar 3

15:00 – 15:30 Registration of participants with coffee and tea

15:30 – 15:45 Opening: Reflection on the outputs of previous seminars

- Mrs Evelijne Bruning (Vice Versa)

15:45 – 16:00 Opening speech: The dilemmas in microfinance

- Mr Matthijs Bierman (Triodos Bank)

16:00 – 16:30 Keynote speech: Towards a modern microfinance industry

- Mr Luis Felipe Derteano Marie (Grupo ACP, Peru)

16:30 – 17:30 World Café: The future of microfinance in developing countries

- Interactive discussion by participants

17:30 – 17:45 Break

17:45 – 18:15 Panel discussion

- Mr Luis Felipe Derteano Marie (President, Grupo ACP, Peru)
- Mr Klaas Molenaar (Triodos Facet / INHolland)
- Mr Robert Lensink (Rijksuniversiteit Groningen)
- Mr Koen Wasmus (Opportunity International)

18:15 – 19:00 Informal networking: What can you do?

## Appendix 2 – List of participants

	<b>Name</b>	<b>Surname</b>	<b>Email</b>	<b>Organisation</b>	<b>Sector</b>
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## Appendix 3 – Relevant literature

Throughout the seminar series Triodos Facet and INHolland compiled and regularly updated a list of background articles on topics related to microfinance and Business Development Services. The list below was drawn up in cooperation with experts from the academic and development sectors.

### **A. Literature on Linking Microfinance and Business Development Services**

Dunford, C. (2001). Building better lives. Sustainable integration of microfinance with education in health, family planning and hiv/aids prevention. Freedom From Hunger Discussion paper, commissioned by the Microcredit Summit Campaign. Retrieval at <http://ffhtechnical.org/resources/research-and-evaluation/articles/Building%20Better%20Lives%20Executive%20Summary%208-01-eng.pdf>

Halder, S. R. (2003). BRAC's Business Development Services – do they pay? *Small Enterprise Development*, 14(2), 26–35.

Hansel, J.E. (2007) Risk-sharing models increase market access and financial and non-financial services to farmers. *Small Enterprise Development*, 18(2), 109–125.

Hospes, O., Musinga, M. & Ong'ayo, M. (2002). *An evaluation of micro-finance programmes in Kenya as supported through the Dutch co-financing programme*. Retrieval at [www.gdrc.org/icm/country/Kenya-finalreport.pdf](http://www.gdrc.org/icm/country/Kenya-finalreport.pdf)

Nelson, J. (2007). *Building linkages for competitive and responsible entrepreneurship*. UNIDO. Retrieval at [http://www.unido.org/fileadmin/import/69447\\_CSRI\\_08.pdf](http://www.unido.org/fileadmin/import/69447_CSRI_08.pdf)

Ruijter de Wildt, M. (2004). *Linking business development services to financial services: The case of Financiera Solución in Peru*. ILO. Retrieval at <http://www.bdsknowledge.org/dyn/bds/docs/422/MdRdW-Peru.pdf>

Salib, S., Kimball, M., Nelson, C. & Villeda, L. (2001). *Bundling microfinance and business development services: A case study from Ademcol in Colombia*. USAID. Retrieval at [http://www.microfinancegateway.org/files/3393\\_03393.pdf](http://www.microfinancegateway.org/files/3393_03393.pdf)

Sievers, M. & Vandenberg, P. (2007) Synergies through linkages who benefits from linking micro-finance and business development services? *World Development*, 35(8), 1341–1398. Retrieval at <http://www.bdsknowledge.org/dyn/bds/docs/183/SieversVandenbergWD.pdf>

Valdiva, M. & Karlan, D.S. (2006). *Teaching entrepreneurship: Impact of business training on microfinance clients and institutions*. Retrieval at [http://www.econ.yale.edu/growth\\_pdf/cdp941.pdf](http://www.econ.yale.edu/growth_pdf/cdp941.pdf)

### **B. Literature on Microfinance**

Athmer, G. & Vletter, F. de. (2006) *The microfinance market in Maputo, Mozambique: Supply, demand and impact*. NPM. Retrieval at [http://www.gdrc.org/icm/country/mozambique/full\\_report-en.pdf](http://www.gdrc.org/icm/country/mozambique/full_report-en.pdf)

Chen, G. & Weiss, K. (2007) Lessons from South Asian MFIs moving up market. *Enterprise Development and Microfinance*, 18(4), 328–341.

Cull, C., Demirgüç-Kunt, A. & Morduch, J. (2006). Financial performance and outreach. A global analysis of leading microbanks. World Bank Policy Research Working Paper 3827. Retrievable at [http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2006/01/24/000016406\\_20060124163013/Rendered/PDF/wps3827.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2006/01/24/000016406_20060124163013/Rendered/PDF/wps3827.pdf)

Cull, R., Demirgüç-Kunt, A. & Morduch, J. (2008). *Microfinance meets the market*. World Bank Policy Review Working Papers 4630. Retrievable at [http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/05/27/000158349\\_20080527095250/Rendered/PDF/wps4630.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/05/27/000158349_20080527095250/Rendered/PDF/wps4630.pdf)

Datar, S.M., Epstein, M.J. & Yuthas, K. (2008). In microfinance, clients must come first. Stanford Social Innovation Review. Retrievable at [http://www.ssireview.org/images/articles/2008WI\\_feature\\_datar\\_epstein\\_yuthas.pdf](http://www.ssireview.org/images/articles/2008WI_feature_datar_epstein_yuthas.pdf)

Deutsche Bank. (2007). *Microfinance: An emerging investment opportunity*. Retrievable at [http://www.dbresearch.com/PROD/DBR\\_INTERNET\\_EN-PROD/PROD000000000219174.pdf](http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD000000000219174.pdf)

Epstein, M.J. & Crane, C.A. (2005). Alleviating global poverty through microfinance: factors and measures of financial, economic, and social performance. Draft version retrievable at <http://videos.opportunity.org/website/resources/Microfinance-Alleviating-Global-Poverty.pdf>

Eversole, R. (2003) Help, risk and deceit microentrepreneurs talk about microfinance. *Journal of International Development*, (15)2, 179 – 188.

Ferranti, D. de. & Ody, A.J. (2007) *Beyond microfinance: Getting capital to small and medium enterprises to fuel faster development*. The Brookings Institution Policy Brief # 159. Retrievable at [http://www.brookings.edu/~media/Files/rc/papers/2007/03development\\_ferranti/pb159.pdf](http://www.brookings.edu/~media/Files/rc/papers/2007/03development_ferranti/pb159.pdf)

Gibson, T. & Sousa-Shields, M. de. (2007). Crossfire: SME lending vs. microfinance. *Enterprise Development and Microfinance*, 18(4), 295–302.

Goldberg, N. (2005). Measuring the impact of microfinance. Taking stock of what we know. Grameen Foundation USA Publication Series. Retrievable at <http://www.grameenfoundation.org/pubdownload/dcl/index.php?GFUSA-MicrofinanceImpactWhitepaper.pdfHardy, D.C.>

Holden, P. & Prokopenko, V. (2002). *Microfinance institutions and public policy*. IMF Working Papers 02/159. Retrievable at <http://www.imf.org/external/pubs/ft/wp/2002/wp02159.pdf>

Hermes, N., Lensink, R. & Meesters, A. (2008). *Outreach and efficiency of microfinance institutions*. Working Paper. Retrievable at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1143925](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1143925)

Khandker, S.R. (2003). Microfinance and poverty – evidence using panel data from Bangladesh. World Bank Policy Research Working Paper 2945. Retrievable at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=636307](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=636307)

Lensink, R. & Mersland, R. (2009). *Microfinance plus*. Unpublished working paper. Retrievable at [http://microfinance.global-connections.nl/sites/microfinance.global-connections.nl/files/pub/ensink\\_and\\_Mersland\\_2009\\_Microfinance\\_plus.pdf](http://microfinance.global-connections.nl/sites/microfinance.global-connections.nl/files/pub/ensink_and_Mersland_2009_Microfinance_plus.pdf)

Maanen, G. van. (2004). *Microcredit. Sound business or development instrument*. Zeist, the Netherlands: Oikocredit. Retrievable at [http://www.microfinancegateway.org/files/21279\\_MICROCREDIT.pdf](http://www.microfinancegateway.org/files/21279_MICROCREDIT.pdf)

Mersland, R. (2005). *The agenda and relevance of recent research in microfinance*. MPRA Paper No. 2433. Retrievable at [http://mpra.ub.uni-muenchen.de/2433/1/MPRA\\_paper\\_2433.pdf](http://mpra.ub.uni-muenchen.de/2433/1/MPRA_paper_2433.pdf)

Rhyne, E. & Otero, M. (2006). *Microfinance through the next decade visioning the who, what, where, when and how*. Boston: ACCION International. Retrievable at [http://www.microfinancegateway.com/files/36423\\_file\\_Microfinance\\_through\\_the\\_Next\\_Decade.pdf](http://www.microfinancegateway.com/files/36423_file_Microfinance_through_the_Next_Decade.pdf).

Seibel, H.D. (2007). *The role of microfinance in rural microenterprise development*. Syngenta foundation. Retrievable at [http://www.syngentafoundation.com/pdf/Seibel\\_Report\\_e.pdf](http://www.syngentafoundation.com/pdf/Seibel_Report_e.pdf).

### **C. Literature on Microfinance in Europe**

Evers, J. & Lahn, S. (2006). *Promoting Microfinance: Policy Measures Needed*. In: Finance & Common Good. Retrievable at <http://tk.eversjung.de/www/downloads/A-Evers-Lahn.pdf>

Evers, J. & Lahn, S. (2007). *Policy Measures needed to promote Microfinance in Europe, in: Microfinance Europe*. In: The bi-annual on EU Microfinance Policies. Number 1, pp. 16–19. Retrievable at [http://tk.eversjung.de/www/downloads/MAGAZINE01\\_final.pdf](http://tk.eversjung.de/www/downloads/MAGAZINE01_final.pdf)

Habschick, M. & Bendig, M.: (2008). *Diverse, dynamic, uncoordinated: Financial Literacy in the EU, in: Microfinance and financial literacy*. In: The EMN bi-annual magazine on microfinance in Europe. Number 4, pp. 6–9. Retrievable at [http://tk.eversjung.de/www/downloads/Diverse\\_dynamic\\_uncoordinated\\_financial\\_literacy\\_in\\_the\\_eu.pdf](http://tk.eversjung.de/www/downloads/Diverse_dynamic_uncoordinated_financial_literacy_in_the_eu.pdf)

Lahn, S. & Unterberg, M. (2007). *Fostering Gender Equality – Meeting the Entrepreneurship and Microfinance Challenge*. Retrievable at [http://tk.eversjung.de/www/downloads/Gender\\_Equality\\_National\\_Report\\_Germany.pdf](http://tk.eversjung.de/www/downloads/Gender_Equality_National_Report_Germany.pdf)

Lammermann, S., Zamorano, E., & Guichandut, P. (2007). *Microfinance and business development services in Europe. A guide on good practices*. Retrievable at <http://www.bdsknowledge.org/dyn/bds/docs/598/MicroFinanceandBDSinEurope.pdf>

Molenaar, K. *Microfinance in the Netherlands: Do we learn from each other?* Retrievable at [http://microfinance.global-connections.nl/sites/microfinance.global-connections.nl/files/pub/Seminar\\_paper\\_final\\_0.pdf](http://microfinance.global-connections.nl/sites/microfinance.global-connections.nl/files/pub/Seminar_paper_final_0.pdf)

Unterberg, M.: (2008). *Microfinance as a European policy issue – policy images and venues*. Paper presented at the EMN Annual Conference 8–10/09/2008, Nice. [http://tk.eversjung.de/www/downloads/Microfinance\\_as\\_a\\_European\\_policy\\_issue.pdf](http://tk.eversjung.de/www/downloads/Microfinance_as_a_European_policy_issue.pdf)

#### **D. Literature on Business Development Services**

Altenburg, T. & Drachenfels, C. von. (2006). The New Minimalist Approach to Private-Sector Development: A Critical Assessment. *Development Policy Review*, 24(4), 387–411. Retrievable at <http://bds-forum.net/bds-reader/theory/minimalist-approach.pdf>

Chebair, E.R. (2005). *Practical skills for microentrepreneurs: ACCION's experiences with its ABCs of business training program*. ACCION International Insight No. 14. Retrievable at [http://www.microfinancegateway.com/files/26815\\_file\\_IS14EN.pdf](http://www.microfinancegateway.com/files/26815_file_IS14EN.pdf)

Goldmark, L. (1999). Sorting out the truth: The financial viability of business development services. Retrievable at [http://www.microfinancegateway.org/files/28826\\_file\\_Sorting\\_Out\\_the\\_Truth.pdf](http://www.microfinancegateway.org/files/28826_file_Sorting_Out_the_Truth.pdf)

Hallberg, K. (2006). A retrospective assessment of the Kenya Voucher Training Programme. *Small Enterprise Development*, 17(2), 56–67.

Hitchins, R., Elliot, D. & Gibson, A. (2004). *Making business service markets work for the poor in rural areas: A review of experience*. London: Springfield Centre. Retrievable at <http://www.springfieldcentre.com/publications/sp0402.pdf>

Lepenes, P.H. (2004). Exit, voice, and vouchers: using vouchers to train microentrepreneurs—observations from the Paraguayan voucher scheme. *World Development*, 32(4), 713–724.

McKee, K. (2007). Ten forces affecting the future of enterprise development and pro-poor growth initiatives. *Enterprise Development and Microfinance*, 18(2), 261–278.

Suzuki, A. (2002). *Business training markets for small enterprises in developing countries: What do we know so far about the potential?* ILO SEED Working Paper No. 32. Retrievable at <http://www.ilo.org/dyn/empent/docs/F297552005/WP32-2002.pdf>

Tanburn, J. (2008). *The 2008 reader on private sector development*. Turin: ITC-ILO. Retrievable at <http://www.bdsknowledge.org/dyn/bds/docs/649/PSDReader08E.pdf>



## Appendix 4 – Stakeholder consultation

When preparing the seminar series, we contacted 12 stakeholders (see list below) representing the four DPRN target groups. Each of the stakeholders was given the opportunity to respond to our proposition that MFIs need to target micro-entrepreneurs with a broader range of non-financial services. These consultations with stakeholders were used to assess the relevance of the proposed theme as such and to identify a number of key issues that should be addressed in the process.

Below is a brief overview of the responses per sector.

*Academia:* The question of whether MFIs should rethink their strategies and focus more on entrepreneurial clients fits in with the current academic debate. Indeed, MFIs are already paying more attention to entrepreneurship development. By broadening their scope of services MFIs will become a more interesting investment vehicle for external parties. What remains unclear, however, is whether MFIs should focus on potential entrepreneurs, on existing entrepreneurs or only on those entrepreneurs with growth potential. In spite of the current hype surrounding microfinance, the body of empirical research on the matter is not yet substantial. There is a need for more empirical research on the current state of affairs in the micro-finance sector.

*Development organisations:* The Dutch co-financing associations (MFOs) confirm the relevance of the theme. Although the topic itself is not new, the MFOs argue that there is still substantial scope for improvement in current practice. Indeed, MFIs could pay more attention to the needs of entrepreneurs. Past experiences with MFIs offering business development services were, however, unsuccessful. Therefore, the MFOs would welcome a practical debate on the role MFIs could play and what kind of support they would need.

*Corporate sector:* Stakeholders from the corporate sector underline the importance of offering business development services to entrepreneurial clients. Doing so would eventually result in more bankable clients and an increased outreach. However, most stakeholders argue that MFIs in developing countries should not develop such services in-house since the capacity to do so is often lacking or insufficient. Rather than directly using the MFIs to deliver business development services one could copy their business model and make use of their distribution channels. Interestingly, the corporate sector agrees in favour of using the lessons learned in the Netherlands. In other words by examining how financial and non-financial services are structured in the Netherlands and which developments or business models on the Dutch market can be valuable in less developed countries. Finally, with regard to the target group, stakeholders argue that one should not strive to foster entrepreneurship for all. Instead the focus should only be on those entrepreneurs with real potential.

*Policymakers:* In concordance with the other sectors, policymakers underline the relevance of the topic but also stress that MFIs are already considering offering non-financial services. However, given the growing interest of investors in the double/triple bottom line of MFIs, a further exploration of the theme is justifiable. The Ministry of Foreign Affairs would be interested in practical field experiences to shape its policy.

List of consulted stakeholders:

- B. Molijn – Oxfam Novib
- B. Nijkamp – ICCO
- E. Heinen – OikocreditH. Maas – HIVOS
- S. Platteau – Triodos Facet
- F. Nagel – Rabo Development
- G. Voorrips – ING Microfinance
- N. Feenstra – Triodos Investment Management
- N.D. de Witte – Business in Development network
- H. Van der Veen – Ministry of Foreign Affairs
- A. Szirmai – Maastricht Graduate School of Governance
- N. Hermes – Rijksuniversiteit Groningen

