

# Do No Harm

How can Governments, International  
and Public Agencies Support the  
Development of the Microfinance  
Sector in their Countries?

# Public Sector Vision

- Build a vibrant, inclusive national microfinance sector linked to:
  - best practices and good standards
  - Pro-poor aims of the MDG
- Create an enabling environment to achieve this vision
  - Do not rush to regulate
  - Recognize Institutional pluralism and diversity is a key to promoting effective financial systems that serve the poor
  - Learn from microfinance practitioners and their clients
  - Promote self-regulation through microfinance networks and associations as a means of building institutional capacity in the sector and as a way of educating state actors
  - Undertake regular social audits of restrictive legislation and normative procedures that discourage market entry or encourage market exit
  - Maintain market stability through sound monetary and fiscal policies



# Public Sector Mission

- Microfinance should be a key pillar in state social safety-net and poverty-alleviation strategy and policy, including:
  - Economic empowerment of women
  - Inclusion of marginalized youth
  - Employability through entrepreneurship
- Microfinance should be supported by a credible and dynamic government focal point who can provide leadership, vision and inspiration for private sector, civil society and government participation in the sector
- Commercialization, competition and best practice should be encouraged through location on microfinance expertise in a key ministry with focus in the private sector, e.g. economy, planning, finance, etc.
- Recognize microfinance as a significant financial sector activity



# Public Sector Activities

- Prudent before prudential regulation – regulatory frameworks should be adapted to the needs of different actors
- Encourage market entry and competition from all potential microfinance actors, e.g. voluntary association, NGOs, credit unions, cooperatives, banks, etc.
- Capacity building for the sector is better than government run or owned institutions.
- Encourage the development cost-efficient commercial institutions that can get to scale
- Promote the development of national microfinance networks and associations
- Create an early commitment to moving beyond loans to a wide range of convenient and flexible services including savings, cash transfers and insurance
- While donor subsidy should not be discouraged, mature institutions should be commercially viable
- Encourage MFIs to be financially and operationally transparent

