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**REPORT**

**ON**

**TRAINING PROGRAM ON**  
**MICROFINANCE SECTOR DEVELOPMENT**  
**FOR OIC MEMBER COUNTRIES**

*Khartoum, Sudan*  
*July 18-21, 2009*

## **Preamble and General Overview of Microfinance:**

The microfinance sector currently serves only a small percentage of its potential market of the people living in the segments just above and just below the poverty line. Thus, there is a huge gap in the demand and supply of microfinance in all the Islamic Countries. Access to microfinance for the women and youths is also in a low percentage and nearly half of the population has no access to financial services, formal or informal, at all. Much of the excluded sector that needs microfinance services are requires innovative products and delivery systems.

ICCI's corporate strategy is to focus on activities that help to develop a competitive economy and promote sustainable trade and industrial development. The activities include organizing training, providing of advisory services in information technology, investment promotion, trade promotion, small enterprises development, expansion of the services sector, awareness and appreciation of privatization programmes, promotion of environmentally sound technologies, empowerment of women, tourism, promotion and establishment of companies in the private sector for poverty alleviation.

Accordingly to a study of The World Bank, from the initial stages of development and a period of accelerated growth, there has been a slowdown in the microfinance sector's growth momentum in the Islamic Countries. In the last year, this sector recorded a sizable decline in the overall loan portfolio. This was adversely affected by the liquidity crunch in 2008 onwards. Due to the tighter credit conditions, such a decline was not unexpected but the situation was exacerbated by the inability of larger Microfinance Institution's to roll over existing lines of credit. The marginal decline in loan portfolio was largely owed to funding constraints, and is expected to improve as the credit constraints are relaxed.

The holding of the Training Program falls within the implementation of the OIC 10-Year Programme of Action for alleviating poverty and capacity building in the OIC Countries.

## **Training Program on Microfinance Sector Development for OIC Member Countries Khartoum, Sudan, July 18-21, 2009:**

Microfinance has received most significant recognition of its importance in the 2005 World Summit. The Summit Outcome Document recognized the need for access to financial services, in particular for the poor, including through microfinance and micro-credit. Support for microfinance was also strongly implied in the endorsement by the Summit of the 2002 Monterrey Consensus, which states: "Microfinance and credit for small and medium-sized enterprises, including in rural areas, particularly for women are important for enhancing the social and economic impact of the financial sector. The microfinance received further recognition as the year of 2005 has been declared the International Year of Micro-credit.

The Islamic Chamber of Commerce and Industry (ICCI) as an affiliated institution of the Organization of Islamic Conference (OIC) and as representative of the private sector is also laying emphasis on micro-finance. Therefore, in collaboration with the Islamic Research & Training Institute (IRTI) of Islamic Development Bank (IDB), the Perez-Guerrero Trust Fund (PGTF)/United Nations Development Programme (UNDP), Central Bank of Sudan and the Sudanese Businessmen & Employers Federation, the Islamic

Chamber organized the Training Program on Microfinance Sector Development for OIC Member Countries in Khartoum, the Republic of Sudan, July 18-21, 2009.

The Training Programme was attended by 61 trainees from Member Chambers and by the senior level representatives of several Microfinance, Commercial & Agriculture Banks, Central Banks and financial institutions from 17 OIC Countries namely Azerbaijan, Bahrain, Bangladesh, Burkina Faso, Djibouti, Egypt, Indonesia, Iran, Jordan, Malaysia, Nigeria, Pakistan, Senegal, Uganda, Uzbekistan, Yemen and Sudan. A list of participants is enclosed (Annex-I).

### **Objectives:**

The Training Program was designed to create awareness on the microfinance sector and its effective usage in alleviating poverty by providing poor with access to credit. The program discussed essential elements of devising a national level Microfinance Sector Development Program (MFSD) and role of various stakeholders.

The objective of the Training Program was to understand the nexus between microfinance and poverty in OIC countries perspective in general and to develop strategy for designing and developing microfinance services in reducing poverty in particular. Additionally, participants from different countries actively participated and shared their experiences on the theme.

The overall objectives of the Training Program were as follows:

- i) Based on OIC and global experiences, introduce the concept of Microfinance Sector Development, defining its essential features, identifying the rationale and critical success factors for supportive policy intervention towards its initiatives in OIC Countries.
- ii) The possibilities for using microfinance in poverty alleviation and capacity building.
- iii) Study the instruments and policies necessary to foster the Microfinance Sector Development in OIC Countries;
- iv) Provide know-how and support to participants willing to promote Microfinance in the OIC region.
- v) Provide practitioners in the field of SME and local economic development with the necessary skills to promote the development of Microfinance Sector.
- vi) Knowledge sharing and learning from the case studies and success stories about the best practices, methodologies, policies and programmes for Microfinance Sector Development initiatives in OIC Countries.
- vii) To study the constraints of microfinance in the OIC Countries and to propose possible solutions.

In order to achieve the above outlined objective, the Work Plan (Annex-II) was designed in a manner that all the sessions directly addressed the microfinance sector.

## **Inaugural Session:**

The Training Programme was inaugurated by H.E. Badreldin Mahmoud Abass, Deputy Governor of the Central Bank of Sudan on 18<sup>th</sup> July 2009 with recitation of verses from the Holy Quran.

The welcome address was delivered by H.E. Ali Mohamed El Hasan Abrci, Vice-President of Sudanese Businessmen and Employers Federation, who welcomed the participants and wished them pleasant stay in Sudan. He acknowledged the outstanding contribution made by the ICCI for the promotion of socio-economic development of the OIC Countries in general and the less developed countries in particular. He applauded the efforts exerted by H.E. Shaikh Saleh Kamel, President of the ICCI for the interest of the peoples of the Islamic Countries. He expressed the Federation's willingness to cooperate and support all the programmes and activities of the ICCI. He also praised the role of the Central Bank of Sudan in the organization of the Training Programme and thanked for the personal presence of H.E. Badreldin Mahmoud Abass, Deputy Governor of the Central Bank of Sudan. He emphasized the significance of the microfinance sector and welcomed the ICCI initiative for setting-up of a Microfinance Training Center.

Engineer Widad Yaqoob Ibrahim, the Chairperson of the Board of Directors of the Family Bank of Sudan delivered her speech, wherein she highlighted the experiment of the Family Bank of Sudan, its services for the targeted segments. She stated that the vision of the bank is to provide Sharia compatible services and to assist the poor to have a better standard of living. They opened several branches in the capital as well as the other states of Sudan through which they are providing financial services in different modalities such as Modarabah, Musharaka etc.

The message of Mrs. Attiya Nawazish Ali, Assistant Secretary General (Coordination), Islamic Chamber of Commerce and Industry (ICCI) was delivered by her Assistant, Mr. Elsadig Gadallah Mokhair. She conveyed the compliments of H.E. Shaikh Saleh Abdullah Kamel, President of the ICCI and his wishes for the success of the program. She underlined the importance of the microfinance sector, as one of the priorities of the OIC 10-Year Work Program and ICCI's 10-Year Work Plan, hence it is considered an essential instrument for poverty eradication. She thanked the Central Bank for patronizing the program and their kind support. Furthermore, she lauded all time support extended by the Islamic Development Bank (IDB) and the United Nations Development Programme (UNDP) in assisting the ICCI in poverty alleviation and capacity building. She also thanked the Sudanese Businessmen and Employers Federation for their hospitality and warm reception to foreign delegates.

Thereafter, H.E. Badreldin Mahmoud Abass, Deputy Governor of the Central Bank of Sudan presented his opening speech and inaugurated the Training Programme. He underscored the significance of this program which would help in advancing the microfinance sector. He said that the Central Bank of Sudan has devised a comprehensive strategy to promote microfinance program and at this stage priority is given to training and capacity building for both the targeted as well as the trainers and the personnel of the Institutions serving this sector. He called for partnership with the Central Bank for conducting the training programmes and confirmed the commitment of the Central Bank

of Sudan to support the setting-up of an international training center for microfinance in Sudan for OIC Member Countries. He assured that this idea shall be materialized as an initiative to support all the stakeholders in microfinance sector through capacity building programmes by the Center.

Mr. Bakri Yousef Omer, Secretary General of the Sudanese Businessmen & Employers Federation presented vote of thanks to the co-organizers namely the Islamic Chamber of Commerce & Industry, Central Bank of Sudan, Islamic Development Bank (IDB), the United Nations Development Programme (UNDP) and the participants as well.

### **Working Sessions:**

During the four-day Training Programme, eight interactive working sessions were held and lectures were delivered by expert resource persons. Mr. Ozair A. Hanafi and Ch. Israrul Haq from Pakistan acted as Lead and co-facilitator in the training course. The working sessions covered lectures on the following topics (Annex-III):

1. Microfinance Concept, History and Nature of Microfinance Industry
2. The Power of Positive Attitude
3. Social Mobilization & its Prerequisites
4. Business VS Social Approach to Microfinance
5. Group Formation VS other approaches
6. Outreach & Promotion Plan
7. Microfinance Product Design and Development
8. Impacting Bottom Line through the Power of Diversity

### **Exercises & Group Work**

Team Work on Product Development was an innovative approach as a brainstorming exercise assigned to the participants. The participants were divided into 8 teams with the objective to design a microfinance product in the area of savings or credit. The product development assignment primarily focused on the following aspects.

- Title (to be innovative and attractive in name)
- Type of product (saving or credit)
- Criteria for opening of accounts
- Eligibility criteria for any micro financing loan
- Interest rates and repayment frequency / schedule.
- Guarantees on collateral
- Profitability
- Justification

The team composition was done on country representation basis. Each team consisted of at least 7-8 members. The participants were assigned 3 hours to work in group form and prepare their presentations in multimedia. Out of these 8 teams, one was assigned to work on Islamic mode of micro financing and one group on designing of a product exclusively for women clients. Each team member showed great enthusiasm in the assigned task and came-up with new microfinance products on savings & credits.

The team leaders made presentations on the products identified by the team and explained in detail, the modalities and mechanism alongwith features of each product. Most of the products were certainly focused to be of innovative in nature and adoption and quite suitable from perspective of helping the poor to get benefits as a means of poverty alleviation. The overall objective was to enable the participants to have a clear idea about various elements involved in designing of a microfinance product. The Resource Persons assisted the team participants to accomplish the assigned task. The whole process was found to be a useful methodology to create understanding about microfinance in an effective manner.

Since it was a struggle based exercise, all the participants rated this as a good and useful exercise for learning and sharing thoughts, particularly for those who had not done such type of activity before.

### **Other Presentations:**

In addition, Central Bank of Sudan, Graduates Employment Fund of Sudan, Family Bank of Sudan and Sudan Academy for Banking & Financial Studies also presented their papers. Moreover, the trainees also presented country papers on Microfinance sector development in their respective countries.

### **Presentation by the Central Bank of Sudan:**

Dr. Khalid Al-Amin Abdul Gadir, the Director of the Microfinance Unit of the Central Bank of Sudan, made a comprehensive presentation on the role of Central Bank of Sudan in Promoting Microfinance Sector for Development Financing. He highlighted efforts so far made by CBOS in developing Microfinance. He also explained the contextual and strategic frameworks and the national strategic vision for Microfinance as well as the Bank's plan of implementation of the Microfinance strategy. In conclusion he pointed out the Bank's contributions in financing social development dimensions and Microfinance future trends, obstacles, and recommended actions.

### **Presentation by the Graduates Employment Fund:**

On behalf of the Graduate Employment Fund, which is an entity of Ministry of Social Welfare, Women and Child Affair of the Republic of Sudan, Mr. Ali Ahmed Daghsh, Secretary General of the Graduate Employment Fund made a speech in which he welcomed the participants and briefed them about the Fund, which is a government mechanism established for combating unemployment problem among fresh graduates. He introduced Dr. Islah Hassan Elawad, Training Incharge of the Fund, who made an in depth presentation on the Fund its objectives, policies and achievements. She explained how the fund through policies advocacy and initiated projects contributes to creation of job opportunities to meet the high market demand. She showed few samples of successful projects financed by the Fund. The session was followed by a dinner hosted by the Graduate Employment Fund in honor of the participants in Burj Al-Fateh Hotel.

### **Presentation by the Family Bank of Sudan:**

In response to the kind invitation of the Family Bank, all participants visited the Headquarters of Sudanese Banks Union in the evening of 19<sup>th</sup> July 2009. They were received by the General Manager and some of the Senior Executives of the Family Bank. The Governor of Khartoum State was the Chief Guest of the occasion. He chaired the proceedings, where comprehensive presentation was made on objectives, activities and progress accomplished so far by the Family Bank. The Assistant Governor of Central Bank of Sudan has also addressed the audience and thanked the Islamic Chamber of Commerce & Industry, Sudanese Businessmen & Employers Federation for their efforts in organizing the program. The Chief Guest H.E. Dr. Abdul Rahman Al-Khidr, Governor of the Khartoum State welcomed the foreign delegates and wished their program all success. The Family hosted dinner in honor of the participants.

### **Presentation by the Sudan Academy for Banking & Financial Studies:**

In response to the kind invitation of the Sudan Academy for Banking & Financial Studies, all participants visited its Headquarters in the evening of 20<sup>th</sup> July 2009. The participants were received by Prof. Dr. Awatif Yousif M. Ali, Chairperson of the Board & Academy President. The participants were briefed about the Academy's history, objectives, programs and future prospects. Later the participants were shown the facilities available in the Academy. Publications of the Academy were gifted to the visitors.

### **Critical Issues being Faced by the Islamic Countries in Microfinance Sector:**

After the Team Work Assignment, the Resource Persons held a session on critical issues being faced by the Islamic Countries in Microfinance Sector. The participants while taking a keen interest in the sessions shared their views and highlighted a number of issues in the sector. Some of the issues are summarized as under:-

1. Limited outreach of the Microfinance Institutions upto the gross root level;
2. Lack of capacity building programmes for the management staff of Microfinance Institutions, the functionaries of civil organizations and the beneficiaries.
3. Lack of technical assistance and skill based enterprises development training for women.
4. Loan delinquency (defaults)
5. The poor particularly the rural poor (exclusion of ultra poor) have little access to credit programmes due to the lack of awareness and less outreach by the Microfinance Institutions.
6. Lack of Clear policy, vision coordination among the MFIs and the beneficiaries and effective monitoring mechanism was an other issue for consideration
7. Low repayment behavior (high default ratio) on beneficiaries, awareness about MFIs Products.

Procedures of loaning and less marketing opportunities were identified as one of the critical issues in the success of micro financing in Islamic Countries.

## **Outcomes:**

- The Training Program provided the platform to OIC Member States to share their success stories of microfinance and draw future guidelines to effectively carry out activities with full participation of the people living with similar thoughts and beliefs in the region.
- Participants were able to develop and recommend strategy for domestic resource mobilization and management of microfinance programmes in the OIC region. They were also able to develop financial structure, modalities and instrument, assessing financial performance and sustainability of micro credit to the poor, capacity building on financial management for beneficiaries, microfinance as means of increasing income and employment opportunities for the poor, conducive policies and practices for pro-poor financial system, products and services of microfinance etc.
- Participants demonstrated their abilities in applying key approaches, tools and methodologies for formulating and implementing Microfinance sector development policies and strategies.
- Developed skills for the removal of functional bottlenecks hampering smooth operations of Microfinance sector development;

## **Recommendations:**

The training methodology of each session was kept interactive and participatory by sharing of experiences and best practices in Microfinance Sector. The participants were also given opportunities to openly discuss the obstacles and constraints they are facing in their respective countries. During discussions, critical issues being faced by the participating countries were addressed.

On the conclusion of the Training Program and after in-depth discussion, the participants of the Training Program put forward the following recommendations:

1. To create an effective awareness mechanism by all the stakeholders and to streamline the procedures for microfinance among the beneficiaries.
2. To setup a Microfinance Training Centre to take care of the following issues:
  - human capacity building of microfinance providers, and stakeholders.
  - focus on capacity building of beneficiaries of Microfinance Institutions in micro enterprise skills, middle management in operational and marketing aspects and senior level management in policy issues.
  - research on various aspects of micro financing and Islamic mode of financing may be the area of focus.
  - prepare training modules for all the three tiers of clients and organize training courses for all the stakeholders of OIC Member States and workshops / seminars of senior level management.



3. Propose to policy maker a uniform regulatory framework and guidelines to develop innovative products and services may be created to assist the MFIs of Islamic Countries.
4. To prepare possible mechanism for development of synergies and partnership with microfinance institutions of Islamic Countries.
5. To call upon concerned public and private sector institutions in OIC Countries to provide Microfinance not only to setting-up new projects, but also to focus on upgrading the existing small businesses.
6. To call upon Islamic Chamber of Commerce & Industry to continue holding such useful Training Programs for the benefit of all the stakeholders.
7. ICCI should promote public private sector partnership to create a competition amongst MFIs to help in lowering the interest rates and launch innovative and attractive microfinance products in the market. For this support of technology and involvement of private sector mega banks needs to be promoted.
8. ICCI should play a catalyst role in creating strong linkages with MFIs of all the Islamic Countries.

**Immediate Outcome:**

In order to implement one of the recommendations adopted during the Training Program, it was unanimously agreed to sign a Memorandum of Understanding (MoU) among Islamic Chamber of Commerce and Industry (ICCI), Central Bank of Sudan (CBOS) and Sudanese Businessmen & Employers Federation (SBEF) for setting-up of Microfinance Training Institute in Sudan.

The participants welcomed and appreciated the initiative and the importance of the Centre to address the issues of capacity building in microfinance sector.

**Training Evaluation:**

The participants’ evaluation of the training program was completed before the concluding session; each having submitted his/her inputs through a questionnaire. This brought in a good deal of information about the perceived impact of the program. A review of this information revealed the usefulness of the knowledge that had been gained in the discussions, group work sessions and exercises.

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