Focus Note 19

In-Country Donor Coordination

In recognition of the importance that donors still play in microfinance at the country level, CGAP has commissioned David Wright, Former Chief Enterprise Development Adviser with the UK's Department for International Development (DFID), to address the challenge of coordination among in-country donor staff on the basis of actual experience in different countries to date.

Like all 'species', the instinctive behaviour of donors in the development of the microfinance industry is to compete—for the most influential, highest impact, most innovative and poverty-oriented projects. But, unlike in the commercial arena, such competition—at least between donors—is invariably counter-productive. Recent experience shows increasing awareness of the need for more active in-country coordination between donors and that closer collaboration can be highly beneficial to all stakeholders in the sector.[1]

The continuing popularity of microfinance amongst the donor community has resulted in numbers of agencies in every developing country and transition economy seeking to support the development of the microfinance sector. Without coordination between these donors, the effects can be most damaging. Local organisations providing microfinance services (MFIs) are offered assistance from donors on very different terms. They receive different signals from the different donors as to what is expected of them: who they should be targeting, what interest rate they should be charging, what level of delinquency is acceptable, when (if ever) they should be reaching financial sustainability, in what form and frequency reports should be submitted—the list is endless.

Where donors are driven by internal pressures to disburse funds, a not unusual situation, the provision of large capital sums to an MFI can actually be harmful. If the organisation lacks the necessary absorptive capacity or the conditions attached to the funding are inappropriate, disbursement can discourage proper discipline in financial management, weaken performance, and reduce the ability and motivation to access commercial funds, including savings. It can therefore discourage the MFI from realising one of the key goals most donors protest they want to see achieved: sustainability.

Equally serious, a lack of coordination amongst donors can be confusing to government, notably the central bank or banking supervisory authority. Since microfinance is relatively new to many countries, there is uncertainty as to how the sector should be regulated and supervised. Different donors may push for different solutions, taking the experience of different countries as their model, even making continued funding conditional on certain measures being introduced and certain laws enacted.

Fortunately, donors are increasingly recognising the importance of coordination of their activities in microfinance, indeed seeking active collaboration rather than Darwinian

competition. A recent study of the experiences of different countries around the world indicates that a number of different types of in-country donor coordination (ICDC) are now being adopted, each with significant benefits, as summarised in Table 1.

Table 1: Indicative Types of In-Country Donor Coordination

Summary Description	**Likely Key Features**	**Current Examples**
Project-specific	Participating donors coordinate or actively collaborate on one or more specific microfinance programme(s) or project(s), in some instances as a means to stimulating the strategic development of the microfinance industry	Pakistan Bosnia
Sectoral ***Informal***	Informal occasional meetings of all donors engaged in microfinance sector; activities such as information sharing about possible support for MFIs and about discussions with government	Ghana Bolivia
Sectoral ***Substantive***	Regular meetings of all donors in microfinance sector; growing collaboration with government, eg on broad policy towards development of micro-finance sector, on appropriate measures for regulation and supervision of microfinance industry, and on interface with formal financial sector; initial efforts to ensure all MFIs supported by donors conform to 'best practice' and utilise standard performance indicators	Bangladesh Mali
Sectoral ***Strategic***	Donors explicitly seek to develop a shared vision and coordinate efforts, in collaboration with government, to deepen/extend microfinance sector over the long term; agreement and application of standard performance indicators; donors actively collaborate on specific initiatives, with each agreeing to contribute according to comparative advantage; donor/government collaboration and mutual understanding enables constraints to be applied to inappropriate interventions by (new) donors	Tanzania Uganda

Three comments need to be made on this table. First, the 'likely key features' described above must be recognised only as indicative. The specific activities described against each type of coordination are not of themselves obligatory; there are always different levels of coordination happening at the same time but to a greater or lesser degree. Further, whilst the three sectoral types of coordination indicate progression towards greater substance and sophistication, project-specific coordination is in a different category; in certain instances it is just that, in others, it may well be much more akin to substantive or strategic sectoral coordination (as described below).

Second, it is important to appreciate that ICDC can only be achieved through the efforts of motivated individuals, invariably just a small group, who are prepared to make the

time and apply the sustained effort required. It takes determination and commitment, often over a long period, to realise and maintain effective ICDC. Indeed, any form of ICDC is a significant achievement by the local donor staff who make it happen. In many countries, little coordination of any substance is achieved at all.

Third, the examples given of countries which currently demonstrate the different types of ICDC are valid at the date of this Focus Note going to press (April, 2001). The importance of individuals in ICDC mentioned above means that the extent and depth of coordination is constantly changing over time. Further, as is invariably the case with destruction versus construction, it can take a relatively short period, certainly within 12 months, for ICDC within a country to fall back from, say, strategic to substantive sectoral coordination.

Types of Donor Coordination

Project-Specific Coordination usually involves collaboration at the project level between donors supporting specific project(s) or programme(s). This requires that the participating donors agree on issues such as the financial and technical assistance they will each provide, for what activities, on what terms, etc. In some cases, for example BRAC and Proshika in Bangladesh, a formal donor consortium is set up. It meets on a regular basis, agrees on three- to five-year cycles of support, often works through a donor-funded coordination office, and agrees on shared reviews and evaluations as well as common reporting. In all such cases, participating donors have to agree to adjust their standard individual procedures to a single common system—not always easy when headquarter offices lay down rigid procedures from which it is difficult to deviate.

Box 1 Project-Specific Coordination—Pakistan

The Aga Khan Rural Support Programme (AKRSP) has been working with communities in the remote valleys of the Northern Areas and Chitral in Pakistan for 18 years. It strives to help these communities bring about equitable and sustainable improvements in their lives by enhancing people's skills and their economic development. AKRSP is a multi-sectoral programme, spanning the areas of social organisation, women's development, natural resource management, infrastructure, enterprise development and microfinance. The latter is now a significant component first introduced in the mid-1980s.

AKRSP as a whole is supported by a large group of donors including the World Bank, the European Union, Germany, Canada, the United Kingdom, Norway and Switzerland. After a Joint Donor Monitoring Design Mission in 1992, the donors agreed to set up an informal Donor Liaison Group supported by a small Secretariat based at the Aga Khan Foundation in Islamabad. This Group offers a number of advantages both to the donors and to AKRSP. It enables AKRSP to discuss substantive issues with all the different donors in one forum, in particular the coordination of funding new phases of the different programme sectors in different areas. In addition, the Donor Liaison Group enables donors to coordinate participation in and share the costs of all monitoring and evaluation missions, which also has the benefit of reducing the number of such missions to AKRSP. The reports of these missions to the Donor Liaison Group and the discussions at the regular meetings enable all donors to be kept fully in the picture about the total portfolio of activities of AKRSP. In addition, the existence of the Group enables AKRSP

and the donors to coordinate on any matters requiring discussions with government whether at the provincial or national level.

In some instances, however, Project-specific ICDC can lead, or may be explicitly intended to lead, to strategic collaboration between donors and government with the objective of promoting the development of the microfinance industry as a whole. In such cases, project-specific coordination becomes more akin to the substantive or, as in the case described below, the strategic type of coordination.

Box 2 Project-Specific Strategic Coordination—Bosnia

The Local Initiatives Project (LIP) is the largest microfinance initiative in Bosnia and Herzegovina (BiH). Donor collaboration and pooling of resources (about US$22 million over four years) have been a key to the success of LIP with nine participating donors: the World Bank, Austria, Italy, Japan, the Netherlands, Norway, and Switzerland as well as UNHCR and UNDP.

Although a 'project', from the start, the LIP took a sectoral approach with a view to initiating the development of the microfinance industry. Particularly important was the development of an appropriate legal and regulatory environment to allow non-bank MFIs to operate legally. Development of this framework was carried out in a highly participative manner through collaborative working groups generally chaired by the Banking Agency or the Ministry of Finance and active involvement of representatives from the MFIs. The United States Agency fir International Development (USAID) provided technical assistance.

The primary mechanism for donor coordination has been the Private Sector Development Task Force, a body which includes all the major donors (the European Commission, the World Bank, the International Finance Corporation, the European Bank for Reconstruction and Development, the US, Germany, the Netherlands, Italy, the UK and other bilaterals) plus government officials from relevant ministries, and the banking agencies. The primary focus of the PSD Task Force is banking sector reform, enterprise privatisation and SME development. Its function is to agree on strategic priorities, review external assistance programmes and their results, and agree which donors have the comparative advantage or funding to support newly emerging priorities. Microfinance has always been a topic on the agenda of the PSD Task Force but more to enable participants to hear about results and get updates on current issues such as the development of the legal framework. It had previously not been active as a donor coordinating mechanism.

A recent World Bank mission sought to bring all the players together to review the state of the microfinance sector in BiH and develop a common vision and strategic priorities. This was seen as a very positive exercise for all concerned, with government officials making a public commitment to include microfinance development as a key part of their economic development/PRSP strategy currently under development. Donor coordination during the next phase of development of the sector is expected to be led by the IFC, the World Bank and USAID with the focus on more market-driven financing and each donor supporting the sector according to their respective areas of comparative advantage.

In the *Informal Sectoral type of coordination*, donors actively engaged in supporting the microfinance sector in a country (through various individual projects) come together, informally at first. They share information about their current activities, recent contacts

with and/or approaches by government and their general intentions for the microfinance sector, ie not just on individual projects or programmes. The willingness of each donor to participate regularly in a local coordination group varies considerably, with individual donors not participating in every meeting and often pursuing initiatives without regard to the concerns of other donors.

Box 3 Informal Sectoral Coordination—Ghana

Donor coordination in Ghana has in the past been centered around different projects: for example, International Fund for Agricultural Development and the World Bank on the Rural Financial Services Project, and UNDP and African Development Bank/AMINA on MicroStart with Denmark providing complementary support for training and strengthening the Association of Rural Banks. However, with Germany now actively considering support for the sector -- for instance, by providing technical assistance for rural and microfinance and support (with the World Bank) for the Ghana Microfinance Network -- donor coordination is moving rapidly towards the stage of informal or possibly substantive sectoral ICDC. A contributing factor is the government appointment of a Microfinance Coordinator to act as a focal point on behalf of the government in the Ministry of Finance and recognition by all the donors most actively involved in microfinance of the need to have a common position in response to government initiatives and pressures.

Informal coordination is a necessary first step to more serious ICDC, providing the opportunity for personal trust to develop between the staff of the different agencies and for the advantages of more serious collaboration to become apparent. Bolivia (see box 4) provides a more advanced example than Ghana of informal ICDC, with a larger group of donors working together and beginning to collaborate on policy issues while still exercising considerable freedom on individual projects.

Box 4 Informal Sectoral Coordination—Bolivia

The primary vehicle for coordination amongst donors in Bolivia is an informal working group. The major players are Germany, Switzerland, Spain, Canada, the US, the EU, the Inter-American Development Bank (IDB), and Corporacion Andina de Fomento (CAF), with the leadership shared between Germany, Switzerland and the IDB. There is a good cooperative atmosphere amongst the members of the group. The group concentrates on finding a consensus on key microfinance policy issues and exchanging detailed information to avoid duplication. However, there is no explicit division of labour between donors; all are free to engage in whatever activity they like, although the Government is trying to create some specialisation amongst them. (The informal working group complements two other fora in which the Bolivian Government is the leading participant, notably the bi-monthly reunions of the national Micro-Finance Forum in which all stakeholders are represented and the Technical Committee on Micro-Finance.)

Substantive Sectoral Coordination is where ICDC starts to become much more significant. Meetings become more regular, often with donor representatives having specialised knowledge of microfinance. There is a higher degree of discipline amongst the donors with a greater willingness not to undercut another agency in the terms of

assistance being offered, and initial efforts have been made to ensure that all MFIs supported by donors adhere to 'best practice' in their microfinance operations. At this level, contact and dialogue with government also becomes more coherent, and generally less competitive. Donors and government, for example, may seek to identify jointly the most appropriate mechanisms for the regulation and supervision of the different scales of microfinance practitioners.

Box 5 Substantive Sectoral Coordination—Bangladesh

The first meeting of the Local Consultative Group's subgroup on microfinance took place in early 1998, with meetings being held quarterly. Canada, the UK, the US, Switzerland, Denmark, the European Commission and the World Bank are the most regular members, with occasional appearances by the Japan International Cooperation Agency, the Asian Development Bank and UNDP. The Government of Bangladesh does not attend meetings by right but relevant government ministries and agencies attend by invitation according to the subject under discussion. NGOs similarly attend by invitation though regular participation by representative national bodies is under consideration.

The main objective of the subgroup was originally to share information and coordinate activities among donors. Although it is generally accepted that the subgroup should now do more, the differing goals of various donors and levels of investment in microfinance, the differing levels of local staff availability and time to concentrate on microfinance, and the differing levels of technical knowledge amongst donor staff all pose major constraints.

The issue currently of most concern to donors and government is the regulation and supervision of the microfinance industry. Here the subgroup has aimed its activities towards building consensus between donors and presenting a few key messages to the government, such as the need to develop mechanisms for depositor protection, the need to allow MFIs to set their own interest rates, and concerns about the Bangladesh Bank being the most suitable body to regulate and supervise MFIs.

As noted above, ICDC may advance to a certain level but then cannot be maintained. In Mali, a national workshop was held in 1998 and agreement was reached between the government, practitioners and donors on strategic priorities for the future. This should have resulted in ICDC progressing to strategic sectoral coordination but this step has not yet been realised.

Box 6 Substantive Sectoral Coordination - Mali

The donors interested in microfinance in Mali—notably Germany, France, Canada, the US, the Netherlands, the AfDB and the World Bank—meet informally on an ad hoc basis to exchange information, usually in preparation for the twice yearly meetings of the national Groupe Consultatif. The GC includes representatives from different government ministries, MFIs, donors, the national bankers' association and private banks and is chaired by the Director of the Microfinance Supervisory Unit at the Ministry of Finance. The level of coordination among the donors is still relatively limited, with no donor taking an active leading role. Despite the earlier participative initiative with government to elaborate a national strategy and action plan for the microfinance sector, discussion is primarily confined to 'information de courtoisie' on specific

donor projects and sharing information about government approaches to individual donors. Beyond that, donors largely continue to pursue their individual projects although there is consensus on strategic issues such as the role of government (notably the undesirability of a national fund for microfinance). There is also broad agreement on the principles of best practice in microfinance along CGAP lines, eg on issues such as interest rates, performance ratios, etc., but since formal regulation on a reporting format and specific indicators MFIs have to provide to the Ministry of Finance is in place, it is not considered appropriate for the donors to set different types of indicators than those required by law.

With *Strategic Sectoral Coordination*, the benefits of strong ICDC really begin to show. Donors move beyond tactical collaboration to joint efforts with government and other national stakeholders to coordinate the development of a long-term strategy for the sector. Issues addressed include developing a common view of where the microfinance sector should be in the long term (for example in terms of scale, coverage, number and nature of MFIs); and what donors either individually or collectively should be doing to support the sector, with different donors agreeing to contribute different elements to new initiatives in accordance with their respective comparative strengths and resources.

Issues such as the role and place of the microfinance industry in relation to the financial sector as a whole can also be addressed in countries where there is strategic sectoral coordination. Deepening contact with government and the legitimacy derived from the sort of long participative process that has been carried out in Tanzania (see box 7) also assist in constraining 'maverick' donors from coming in to support projects which may be attractive in the short term, eg offering targeted or subsidised lines of credit, but are counter-productive in terms of sustainability, poverty outreach and impact in the long term.

Box 7 Strategic Sectoral Coordination—Tanzania

In September 1997, a joint government/donor mission, coordinated by the Bank of Tanzania and the World Bank, carried out the first stage of a comprehensive initiative to review the rural and microfinance sector, with the eventual objective of developing a new policy framework. The review was a highly participative exercise involving all the relevant official Tanzanian organisations, primarily government (eg Ministry of Finance, Ministry of Agriculture and Cooperatives, Ministry of Community Development and the Institute of Bankers), nine bilateral and seven multilateral donor agencies, and other representative organisations from Tanzanian civil society. The policy framework, now in the final stages of completion, has four major elements: a national policy for rural and microfinance, regulation and supervision of the sector, capacity building of the Bank of Tanzania, and operational guidelines for donor support of financial institutions.

Ongoing coordination amongst all the donors engaged in the sector is the responsibility of the 'DAC (Development Assistance Committee) Working Group on Microfinance' created and led by the Director for Microfinance in the Bank of Tanzania. It meets quarterly to discuss progress in the sector and any pertinent issues arising. In addition to the formal quarterly meetings, the Director has informal monthly meetings with the main donors—the US, the UK, Sweden, Canada, the Netherlands, Denmark, ILO and the World Bank— to discuss any problems for which she might need support. The Group is considered to be effective in managing progress

towards best practice in what is still an emerging sector. Examples of recent collaboration include the government/joint donor review of the SACCO (Savings and Credit Cooperative Organisation) sub-sector (it is anticipated that this will lead to a joint programme of support to the SACCOs), and constraining two multilateral donors initiating rural programmes which were felt could undermine initiatives already in place.

Uganda is another country with strong sectoral ICDC. A donor coordination group for private sector development works in collaboration with active government participation to identify strategies for creating an enabling environment. Out of this group is a subgroup that deals with microfinance. Donor coordination in this sub group underpins the formulation of national sectoral development strategies. Regular meetings with key stakeholders including the government, MFIs, service providers, and bankers provide a platform for open discussion and sharing information. It infuses knowledge of and creates a common perspective of national priorities among the stakeholders. Though still spotted with conflicts at the tactical level, this experience has led to agreement and adoption of good practice principles and is building a platform for joint initiatives.

Box 8 Strategic Sectoral Coordination—Uganda

There are three fora in Uganda which help to facilitate coordination and cooperation amongst all the stakeholders with interest in the microfinance sector: the longstanding Microfinance Forum, whose monthly meetings are chaired by the Ministry of Finance and attended by representatives from other government departments, practitioners, donors and other stakeholders; the Association of Microenteprise Finance Institutions of Uganda (AMFIU); and the microfinance donor coordination group. Mention should also be made of a new coordination forum—the Technical Working Group on Improving Access to Finance—recently set up by government. This Group, comprising representatives from government, financial sector practitioners and donors, is a facilitation mechanism to ensure implementation of the principles laid out in the Medium Term Competitive Strategy for the Private Sector.

The microfinance donor coordination group met for a day-long workshop in April 2000, with all the major donors with interests in microfinance represented—Austria, Denmark, Germany, the UK, the US, the EU and the AfDB. The workshop had three major objectives: to reach consensus on a shared vision for the sector in five years' time; to discuss major issues affecting the microfinance sector; and to identify strategic areas of focus for donor support. Amongst the outputs of the workshop, which was facilitated by AFCAP, was general agreement to use a common MFI appraisal methodology, to adopt common performance indicators and reporting standards, and to produce a donor policy guideline specifying agreed to principles on the level and areas of 'acceptable' subsidy. Discussions are still ongoing on other important issues, notably on approaches to regulation and supervision, capacity building, and the funding of MFIs.

Another initiative agreed to by the donors is to co-locate programme and project capacity-building resources under one roof to improve accessibility by MFIs and general coherence in the sector. These resources include the Centre for Microfinance (USAID), the Rural Microfinance Services Project (AfDB), the EU's programme for Support to Feasible Financial Institutions and Capacity Building Efforts in Uganda (SUFFICE), and AMFIU. Another workshop was held with all these stakeholders in June 2000 to refine a vision for the microfinance sector, the strategies

needed to achieve the vision, the synergies and benefits of a joint centre and an operational framework for the co-location. The plan under consideration is to share premises provided by the Uganda Institute of Bankers which will also house the Microfinance Competence Centre, the UIB's new training programme supported by Germany, Denmark and the EU.

A next step in the process is the establishment of a private-sector-led framework for capacity building. This will be built on the training of trainers and certification approach of AFCAP, but geared to the large scale capacity-building needs of the young Ugandan microfinance industry.

Collaboration with Government and MFIs

As demonstrated by the more successful experiences of ICDC in the different countries described above, effective donor coordination, whatever the type, cannot be achieved without close collaboration with the other two key groups of stakeholders—the local microfinance practitioners on the one hand and the government on the other. There need to be different fora which enable the necessary discussions and negotiations between these three different national stakeholders to take place. Such fora vary from country to country but, as illustrated above, in addition to some form of donor group, almost invariably include:

- some form of active 'trade' association of microfinance practitioners which provides a vehicle for sharing experiences and views, gathering and publishing information about the industry, etc, and is also able to act as the representative of practitioners in dialogue with government and donors;
- a forum which enables the donors to dialogue with government, usually the Ministry of Finance and/or the Central Bank, on matters of policy towards the microfinance sector and on technical issues such as regulation and supervision; and,
- some overarching national forum which brings together representatives of all the stakeholders with an interest in microfinance, ie government, donors, practitioners, organisations from the broader financial/banking sector, and other interested professionals, notably academics and researchers.

Key Lessons

Some important lessons are emerging from all the experiences of ICDC. First and foremost, in-country donor coordination is possible, becoming more widespread and benefiting all stakeholders in the microfinance sector. If coordination is to be effective and donors are to contribute significantly to the development of a strong microfinance industry in any country, then it is important to recognise a number of contributory factors:

<u>The Importance of Individuals</u>

- Donor coordination is critically dependent on *individual staff members* from different donor agencies (usually but not necessarily resident in the country concerned) engaging in frequent communication and working together. Experience of successful ICDC shows that it is always a small group of motivated individuals, often as few as two or three, which is responsible for whatever success is achieved.
- Conversely, just one individual staff member of a major donor can be a major barrier to successful ICDC if that individual holds different views from her/his colleagues or is simply not willing to work with others to reach a consensus.
- The critical role of individuals applies not just at the formation stage, ie when a coordination mechanism amongst the donors is initiated (whether at the project-specific or informal stage) but also on an ongoing basis. Even when more formal mechanisms are in place to facilitate coordination (substantive or strategic coordination), the departure of key individuals can rapidly lead to much less effective coordination when, inevitably, donor staff contracts come to an end and new faces arrive.
- For the same reason, within a country where ICDC is improving, or deteriorating, the individual representatives of different donors may have different views on the quality of the coordination at any one period—eg, whether it is substantive or strategic. Disagreements between donor staff involved in microfinance are not unknown!
- Effective coordination is similarly dependent on the professional knowledge and personal interest which the nominated staff of donors bring to the table, and the time they can give to working with their counterparts. This can be a serious problem, especially if the donor staff member who is given responsibility for microfinance projects on behalf of her/his agency has other areas of responsibility.
- Few donor agencies give any 'brownie points' in staff assessments for the efforts an individual may apply to, and such success as may be achieved in, donor coordination. This is rarely considered as an activity likely to enhance the profile of the agency, or to meet spending/ disbursement targets.

<u>General Lessons for Donors</u>

- Any attempt to achieve effective ICDC has to come from the stakeholders within the country; there has to be strong and continuing internal motivation to accept both the constraints and the benefits of coordination - it cannot be imposed from outside.
- In the development of effective donor coordination, the process itself of talking, working and arguing together is important. Participation by all the most active donors is essential.
- There has to be a willingness, indeed a genuine commitment, from *all the donors* with an interest in microfinance to follow 'best practice' in microfinance delivery, eg not to distort the market through a subsidised line of credit. Different donors often have different perceptions as to what constitutes 'best practice' and such differences need to be recognised and resolved. A particular case in point, on

which there are currently significant differences of view on the practice as distinct from the principle, is training and how this should be supported by donors.

- Further, there are often different perceptions across different divisions and between professional advisers within the same donor agency. These can lead to problems especially in the application of best practice standards in integrated multi-sectoral programmes as distinct from 'minimalist' microfinance programmes where the commercially oriented approach is generally accepted. Socially oriented approaches and social funds for specific disadvantaged groups run the danger of fostering poor banking practice, undermining the disciplines and standards required in the microfinance sector.
- Similarly within any one donor agency, there can often be tension between the staff member responsible for microfinance projects in-country and administrative staff either in-country or at headquarters, especially those responsible for their practical modus operandi such as control and reporting procedures. Administrators tend to be somewhat inflexible, occasionally making coordination between donors (for example, on disbursement conditions or reporting requirements) distinctly problematic.
- To avoid the problem of potential jealousy between donors, it is preferable for the role of chair in any forum involving donors (whether the donors meet on their own, or jointly with government, or with microfinance practitioners) to rotate amongst the most active donors.
- The annual meetings of CGAP have proved to be a valuable forum for senior headquarter-based donor representatives responsible for microfinance to broaden their personal and collective understanding, and establish constructive relationships. These senior officers can play a role in developing relationships between donor staff at the country level and resolving misunderstandings, though their effectiveness will depend in part on the degree of delegated authority from headquarters to country offices, which varies significantly between donors.

Conclusion

Donor staff—at headquarters and in the field—should be made more aware of the experience that has been gained to date in ICDC, the mechanisms that have been established, in which countries, the issues and problems that have been addressed by such mechanisms, the benefits that have been derived from better coordination, and the expectations arising from improved coordination in the future. This Focus Note represents one small step in making such information available.

At the same time it is important to recognise that ICDC is a means to an end not an end in itself (there is often a tendency amongst donors to exaggerate their importance). The primary objective, to assist in the process of building a strong sustainable microfinance industry with significant outreach to the poor, cannot be reached unless practitioners and government are committed to this objective and government is willing to take the overall

lead in the coordination process. Further, this has to be a part of a comprehensive strategic approach by government to private sector and enterprise development.

[1] As long as ten years ago the Committee of Donor Agencies for Small Enterprise Development recognised and gave serious attention to the need for in-country coordination between donors. This led to the publication in 1992 of a 'Green Book' somewhat awkwardly entitled 'Cooperation for Coordinated Support of Small Enterprise Development at the National Level'. This discusses a sequential process for building consensus and strategy at the national level, with annexes describing the different experiences in five countries.