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Replication: Regressive Reproduction or Progressive Evolution?

Graham A.N. Wright

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ABSTRACT

Increasing numbers of organizations are "replicating" the programs of successful MicroFinance Institutions (MFIs). This approach allows rapid start-up using tested models and systems. These strengths are also weaknesses, since the models being replicated usually require substantial modification to make them appropriate for local conditions. Furthermore, close adherence to "blue-prints" is likely to substitute for careful research into the needs and opportunities for the provision of financial services for the poor - and thus the design of appropriate systems. Replication also risks the suppression of innovative ways of providing still better financial services - particularly when promoted by powerful apex funding organizations as is currently in vogue amongst donor agencies. Perhaps the most dangerous form of "replication" is that driven by consultants, leaders or donors designing or recommending systems they only partly understand, and thus giving incomplete or blurred blue-prints. Credit is also used as a way of attracting clients to meetings (where they can be required to participate in other activities - such as family planning etc.). This "part-time banking" is dangerous both as a result of the complexity of providing financial services and because the clients come to rely on permanent access to financial services.

ABOUT THE AUTHOR

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DISCLAIMERS

The opinions expressed in this article are those of the author and not necessarily those of the institutions for which he has worked or is currently working.

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> "Ironically it is the success of the "first wave" finance-for-the-poor schemes ... that is the greatest obstacle to future experimentation. Most designers and sponsors of new initiatives have abandoned innovation, and "replication" is leading to a growing uniformity in financial intermediation for the poor." (Hulme, 1995)

INTRODUCTION

The MicroCredit Summit and its adherents seek to reach 100 million poor by the year 2005 – and to that end recommend and assist with the "replication" of microcredit schemes. In the rush to reach so many, one can easily imagine that quality may be sacrificed to quantity.

This fear was greatly heightened for those practitioners who attended the MicroCredit Summit Preparatory Committee meetings, which were ably managed by the dedicated and extremely professional RESULTS team. During the second of the Preparatory Committee meetings, in Washington in September 1996, practitioners attending attempted to stage a revolution in the interest of best practices. Speaker after speaker noted that the very name of the "MicroCredit Summit" would send the wrong message, and that with MicroCredit as the rallying cry, the vision could be more simply stated as "driving 100 million poor women into debt by the year 2005". Others noted that the astronomical projections for the amount of capital required from donors to fund the effort could be raised, in substantial part, through providing appropriate savings services. Almost all concluded that the name should be changed to "MicroFinance Summit" or perhaps "MicroEnterprise Summit" - but not "MicroCredit Summit".

The reaction from the podium was to politely agree that savings might be important, and then to stick firmly to the Summit's original name on the basis that it was easier to explain to the general public that poor people needed loans so that they could develop profitable microenterprises. Besides, the name "MicroCredit Summit" had already gained some substantial recognition and the stationery had been printed. A few changes referring to the importance of savings and financial services were buried deep down in the Summit's Final Declaration, but the credit-driven model had won the day.

In retrospect, what the practitioners had failed to understand was that the Summit was being staged as primarily as a Public Relations exercise to raise public awareness of the potential of "credit for the poor". The Grameen Bank's name and its remarkable success in reaching literally millions of poor women in Bangladesh (which, sadly, still represents a hopeless "basket case" to many people in the developed world) would be a powerful symbol to demonstrate that there was indeed a way of helping the very poor. In a time when Governments all over the world seem to have dwindling funds for development programs, it was (and still is) important to showcase the "success stories". Thus, the inspiration and driving force behind the Summit was the Grameen Bank's internationally renowned and respected credit-driven model. The ultimate aim of the Summit was to publicize microcredit's success and potential, and thus raise the funds to "put money into the hands of poor women".

In order to reach the ambitious goals of the Summit, existing institutions will have to expand, and many new MicroCredit organizations must be established. In many respects, the easiest way of establishing new organizations is through the process of "replication", whereby the "replicator" organization takes the blue-print of an existing successful institution and attempts to implement it. Indeed, this approach is being promoted by many agencies. But it requires careful consideration.

There is a remarkable level of diversity in the implementation methodologies followed by organizations inspired to "replicate" - even amongst those "replicating" the same model. However, this diversity is not usually driven by careful research and design methods to create economically appropriate systems tailored

to meet the needs and opportunities of the environment in which the organization operates. More generally the diversity of systems is driven by the needs of the project or the institution implementing it: their existing groups, non financial service objectives (such as the delivery of family planning commodities or community conscientisation etc.), the donor agencies' disbursement schedule or blue-print implementation models. These systems then often perform poorly and require extensive modification in the light of hard reality (geography, topography, demography, economy, society, culture, communications and infrastructure etc.) in the field.

There is now an increasing recognition that donors' MicroFinance "projects" should support the development of sustainable institutions designed to deliver cost-effective quality financial services to their poor clients on a permanent basis. This is a big step forward: previously projects came, delivered loans and then left, often leaving "beneficiaries" in much the same position as they were before. This recognition also makes clear the need to identify and support an institution separate and distinct from the "project" or process of supporting the institution. Implicit in attempts to create sustainable institutions is the need to make the institution, its financial services and the systems to deliver them, appropriate for the local conditions … and not just to impose a blue-print MicroFinance program developed and designed in a distant land in an alien environment.

BLUE-PRINTS FOR REPLICATION

When an institution is developed (or under the old school a project is implemented) from the beginning as a MicroFinance program, it is common to see the system driven by blue-prints (such as those promulgated by the Grameen Trust/CASHPOR, FINCA or Foundation for Development Co-operation (FDC)) rather than by a careful analysis of the needs and opportunities in the communities in which the institution operates.

Get Ahead Foundation's Revealing Research

Churchill's (1997) description of the rehabilitation of South Africa's largest NGO lending program by the Calmeadow team - from 50% to 3% loan loss demonstrates how blueprints can often cause profound trouble for those that follow them without reference to client's needs. "Based on the original recommendation of USAID, Get Ahead only issued loans for 12-month terms. After conducting market research in 1993-4, Get Ahead realized that its product was inappropriate for the needs of its clients. Borrowers complained that loan sizes were too small and the loan term too long. ... Get Ahead's decline, and recovery, emphasize the importance of adhering to the two basic tenets of microlending: excellent client service and strict delinquency management."

The blue-print approaches, such as those being promulgated by Grameen Trust/CASHPOR, and more recently ASA, risk attempting to standardize rather than optimize systems and client service, and do it irrespective of the diverse settings in which they are implementing. In many ways, these approaches help in that they offer tested methods and systems, but hinder in that they do not encourage adequate research into local constraints, needs and opportunities. The blue-prints can be seen as, and indeed often are, substitutes for research and analysis. In this respect the emphasis of United Nations' Development Programme's (UNDP's) MicroStart on reviewing the "Strategic Environment" and "Market" through secondary data analysis and multiple interviews makes this a more situation-responsive and responsible blue-print. But, despite these significant limitations, there are some notable successes that have arisen as a result of these types of blue-print approaches. The blue-prints can often give a reasonable starting point that can then be modified in the light of experience and client demand ... if the institution learns to listen.

Centre for Agriculture and Rural Development (CARD) Inc.

The Centre for Agriculture and Rural Development (CARD) Inc. in the Philippines defines itself as "A Grameen Bank Replication Project", and has replicated the Grameen methodology faithfully with little deviation except to drop the Grameen Bank's salutes and exercises. As of December 1997, it had 10,868 members who have borrowed nearly $500,000 and maintained a 100% repayment rate. This is particularly remarkable in that CARD was previously a community development organization offering balloon-based repayment loans and suffering the consequences in repayment terms - with default rates in excess of 50%. However, in response to the demand of is clients, CARD is now transforming itself into a rural bank in order to offer savings services - thus demonstrating the flexibility of an experienced, self-confident organization increasingly committed to providing quality financial services to its clients.

But blind adherence (often enforced through donor implementation methodology and reporting requirements) to these blue-print replication programs does little or nothing to innovate, to search for improved ways of meeting the needs of the poor for financial services. It is this failing that is in many ways one of the most dangerous, since it not only risks failing to address community- or location-specific needs and opportunities, but also ingrains and institutionalizes a limited number of high-profile models with all their increasingly well-acknowledged short-comings. Less well-known, but in many ways more successful, models (often those which have not accessed large amounts of donor funding and therefore have not been subjected to endless evaluation missions, peer reviewed research and profiling in public relations publications) are often overlooked.

Furthermore blue-print programs usually ignore existing informal sector savings and loan groups and systems from which they could usefully learn and which they could harness to strengthen their programs. Pal (1997) provides an interesting description of Credit with Education, the Freedom From Hunger model, modified to fit the local situation using pre-existing system of "caisses populaires" (credit unions), "caisses villegoises" (smaller village banks) and "tontines" (ROSCAs) in Burkina Faso. This helped the program overcome not only the challenges of Burkina Faso's social systems, but also those presented by the huge distances between villages. She notes that in this case, "replication ... does not refer to what Hulme termed the "blueprint method" (1993) whereby one approach, in this case the GB" [Grameen Bank] "model, can be universally applied to a variety of situations and contexts" (Pal, 1997).

It is this need to explore the existing informal and formal sector environment (the "financial landscape") that has been largely ignored to date, but the importance of which is increasingly recognized as a prerequisite for designing appropriate quality financial services for the poor (see for example Johnson and Rogaly, 1997). Rutherford has listed the types of questions that a client-responsive MicroFinance Institution (MFI) should ask in designing its system and products.

Rutherford's Questions
The Basis for Designing Quality Financial Services

An organization wishing to get involved in financial services for the poor might ask the following questions during its surveys of its proposed area of operation.

- **How do poor people mange their savings deposits ?** Are there savings banks, or deposit takers, or insurance salesmen, or savings clubs ? Do the poor have access to them ? If not, how do they save, and how convenient do the poor find the available forms of savings ?
- **Can poor temporarily realize the value of assets they hold?** Are there pawnbrokers or are there schemes that allow then to mortgage land or other major assets safely? If such devices exist, are they exploitative or enabling?
- **Can poor people get access to the current value of future savings?** Are there moneylenders willing to advance small loans against future savings? Are there rotating savings and credit associations (ROSCAs) or managed or commercial chits, or co-operative banks or NGOs that offer loans against small regular repayment installments? Do the very poor have access to them?
- **Can poor people make provision for known life-cycle expenses?** Can they provide for daughters' marriages, their own old age and funeral, and for their heirs? Are there clubs that satisfy these needs, or general savings services or insurance companies that will do as well? Are there government or employer-run schemes?
- **Can poor people secure themselves against emergencies?** What happens when the breadwinner is ill, or when a flood or drought occurs? Does the government have schemes that reach the poor in these circumstances? If not, what local provision can people make?
- **Can poor entrepreneurs get access to business finance?** If so, in what amounts and at what cost?

(Rutherford, 1996)

Answering these questions will allow the MFI to identify opportunities to provide savings and credit facilities or alternative pawn/mortgage facilities, to promote Rotating Savings and Credit Associations (ROSCAs) or Accumulating Savings and Credit Associations (ASCAs), self-help groups or credit unions. The process of asking and eliciting answers to these questions will also give the MFI important information on the magnitude of financial transactions underway within the community, and thus useful information for setting loan sizes etc. In short, the process will give a good overview of "the financial landscape", and what, if anything, the MFI can contribute - as well as an overview of the competition it will face.

MASS-PRODUCTION BLUE-PRINTS

Similar blue-print approaches are coming to the fore with the increasing interest in second tier, apex organizations. These are greatly favored by donors as a way of financing many relatively small MicroFinance organizations without having to worry about them on an individual basis - the responsibility for supervision is given to the apex organization. Furthermore, some argue that the better apex organizations do not simply wholesale capital funds, but also provide technical training and back-up. There are two fundamental problems with this: firstly it sets up an inherent conflict of interest and secondly it can lead to suffocation of innovation.

The conflict of interest arises from the apex organization's dual role as financier and technical assistance provider. As a financing institution, the apex will want to lend its capital to its client MFIs as quickly as possible (and therefore may be willing to cut corners in terms of quality irrespective of concerns relating to long-term portfolio quality). The apex will also be keen to demonstrate (both to the MFI and the world at large) the effectiveness of the technical assistance it delivers, and be under significant pressure from the recipient MFI to follow the assistance through with capital funding. In the event of one of the MFIs it funds facing problems that threaten its investment, the apex is likely to deploy its technical assistance capability to protect its capital. In addition, in the words of Gonzalez-Vega (1998), "When large amounts of credit are

used to *persuade* the MFO" [MicroFinance Organization] "to accept the technical recommendations of the apex organization, the MFO may find that it is not really obliged to repay the loans if failure of its own lending activities can be attributed to poor technical advice from its dominant implicit partner" (the apex organization). Gonzalez-Vega goes on to note, "Furthermore, a *sine qua non* for institution-building to be effective is the willingness of the MFO to accept the advice of the provider of technical assistance. When technical assistance is tied to borrowing, it is hard to tell if the MFO wants the advice."

This leads us to the second fundamental problem posed by apex organizations: that they once again risk the promotion of one specific approach to providing financial services without adequate recognition of all the options open to client organizations. The level of risk depends largely on the philosophy and approach of the apex organization, but these apex institutional arrangements can result in the suffocation of more creative approaches to the provision of financial services to the poor. This risk needs to be better acknowledged by the donor agencies funding the apex organizations, and mechanisms to support more innovative and client-driven models should be promoted.

Palli Karma Shahayak Foundation

The Palli Karma Shahayak Foundation (PKSF) has become a successful and often cited, "model", apex wholesaling financial institution. Established by the Government of Bangladesh in 1990, it has an independent, seven-member Governing Board, which is responsible for policy decisions.

PKSF has received grants of nearly $25 million from the Government of Bangladesh, and (in 1996) another $105 million soft loan from the World Bank. These funds are lent out to partner organizations at rates varying between 3.0% and 4.5% pa depending on the size of the partner organization. This interest is used to cover the costs of delivering the credit and monitoring its use, and of proving some basic technical assistance and training services to around 150 partner organizations. PKSF ostensibly prefers no specific MicroFinance model, program or system, and theoretically encourages innovation and research. However, in practice PKSF insists that its partner organizations charge a "reasonable" rate of interest to customers for their loans, and the interest rates of NGOs financed by PKSF range between 9% and 15%. In the interests of operational efficiency, PKSF has a standard monitoring, MIS and reporting system for small organizations. This effectively forces these partner organizations to follow a PKSF-driven (Grameen Bank-based) model and stifles any significant innovation or departure from it.

However, this may be changing, after long negotiations, PKSF has showed admirable flexibility, compromised and agreed to lend to Proshika without insisting on major changes in Proshika's savings and credit methodology. Whether, this precedent reflects the large amounts being borrowed by Proshika or is indicative of a more flexible policy in the future remains to be seen.

PKSF's understandable search for quality partner organizations also has had another, little recognized, but very dangerous result. One of PKSF's requirements is that partner organizations have a track record: that they have been operating for at least one year, and have a 98% repayment rate. This has meant that many well-intentioned, would-be credit NGOs have set about forming groups, collecting savings and lending them back to their members with the aim of achieving PKSF's track record criteria and accessing capital funds from it. At the beginning of programs, clients are justifiably skeptical about the capacity of NGOs to deliver on their promises, and almost inevitably the demand for loans far outstrips the capital raised through the (usually compulsory, locked-in) savings program. If, as is often the case, confidence lapses and repayments falter, the NGO suddenly faces a situation where it cannot meet PKSF's requirement for a 98% repayment rate, and is unable to access additional capital funds to meet its clients' demands for loans. Then the vicious circle is complete, for without funds from which to offer loans, the would-be MFI is unable to meet the demands of its clients who begin to lose confidence in the organization, and to reduce or withdraw savings deposits, thus further reducing the organization's ability to lend. Soon the repayment rates falter

further, confidence declines yet more and finally the savings of poor clients are lost to loan defaulters or in the costs of administering the program. One cannot help worrying that the enticing prospect of PKSF funds may have encouraged several of the failed NGOs that litter rural Bangladesh to "take a gamble" on their members' savings.

INCOMPLETE BLUE-PRINTS

But perhaps the most dangerous form of "replication" of all is that promulgated by consultants or leaders in agencies with limited knowledge and experience of the systems they are recommending. The Grameen Bank name has now acquired such an aura, such a mystique, and is so closely associated with successful credit operations that it is invoked as a matter of routine in all matters to do with development credit. In other parts of the world FINCA's name has acquired a similar mystique.

The Catanduanes Agricultural Support Programme (CatAg) was set up on the basis of the pre-project report of a senior consultant hired by the European Union. His recommendation was a blurred photocopy of the Grameen Bank's system ... with several key pages missing. He recommended the establishment of 5 member "Guarantee Groups" that would federate together into "Savings and Loan Societies" (SLS) and operate their own revolving loan funds - to be injected into the SLSs by the benign donor. Thus each 25-50 member SLS would be capitalized, trained how to manage its revolving loan fund, and live happily ever after.

Experience has shown us time and again that, without external support, such self-managing groups rarely if ever work. For example, CARE, Bangladesh's Women's Development Project, delivered a broad range of health, skill development, and savings and credit with group formation, under a community development program in Tangail for three years before withdrawal. Ritchie and Vigoda's (1992) subsequent evaluation found that "over half of the savings and loan groups ... are no longer in existence" 20-44 months after withdrawal. Many community development specialists in Bangladesh would see it as an impressive success that so many groups had survived. BRAC has also given up as impractical trying to create free-standing Village Organizations to look after their own affairs.

This problem is not confined to Bangladesh - the entire Village Banking movement has long-since recognized and responded to the need to provide on-going services to village-based groups. "At the International Village Banking meeting in 1994, the concept of graduation was discussed by managers and proponents of village banking from all over the world. The failure to have banks actually graduate from their programs as a phenomenon witnessed by many programs ... At this meeting, it was decided that the word "graduation" in reference to village banking should be abandoned. Instead, there was an emphasis on establishing ties to as many formal financial institutions as possible" (World Bank, 1997).

These ties are important to help the village-based group manage their funds better: excess savings not lent out amongst the group can be placed on deposit to earn interest, and when there are inadequate funds to meet the group's credit needs, these can be borrowed from the formal financial institution. Furthermore, and in many cases, most importantly, the formal financial institution can provide the security, book-keeping and auditing services necessary to maintain cohesion and trust among the village-based group's members. It is for this reason that most indigenous, self-started village groups such as Revolving Savings and Credit Associations (ROSCAs), Christmas clubs or funeral funds tend to be time-bound and self-liquidating. This built-in natural termination provides the benefits of having an automatic audit as the scheme closes. Either, all the money is there and everyone has been paid, or it is not; and this is the fundamental basis for the participants' decisions as to whether to participate in the next "round" of the scheme if it is to continue. In addition, regular pay-outs solve the problems that large, accumulating sums of money create in villages - onerous book-keeping, the envy and attention of those outside (and sometimes even inside) the scheme, the need to store and protect the capital and so on.

Two Strategies and Two Outcomes

Stuart Rutherford differentiates between the two strategies pursued by outside agencies (be they development or private sector) and poor people themselves as they seek to design and deliver financial services. The former tend to use a strategy of permanence and growth and look to create sustainable institutions that deliver financial services to an ever-increasing number of clients - MFIs, banks, co-operatives etc. By contrast poor people themselves generally use a strategy of replication and multiplication and look to create many small self-contained, often self-liquidating schemes - ROSCAs, Christmas clubs etc.

There is another important difference between these two strategies and the types of schemes they spawn. The permanence and growth institutions tend to encourage the long-term build-up of funds through relatively slow, but steady, saving (and are therefore extremely well suited for addressing longer-term savings needs such as house building, pensions etc.). The latter replication and multiplication schemes tend to encourage the rapid accumulation and disbursement of funds (and are therefore better suited to meeting shorter-term savings needs such as purchasing small assets or financing festivities or rituals etc.).

These differences explain why the poor will often hold accounts in permanence and growth institutions while enthusiastically participating in a variety of replication and multiplication schemes - the different schemes are fulfilling very different needs. Furthermore, it is because of their differing roles that ROSCAs and other shorter-term schemes often attract markedly more savings than secure, interest-bearing accounts with financial service institutions (Rutherford- personal communication).

The model proposed by the consultant and adopted by CatAg made one other fundamental error: that of putting revolving capital funds directly into the village-based group. Capitalizing the group directly adds to the need to maintain excellent records and trust amongst its members, and provides a large temptation to "split the money and run". Even at this early stage, it would not be imprudent to suggest that, as soon as the CatAg program finishes, many of the SLSs will find the weekly meetings or book-keeping too onerous, or will lose faith in the Treasurer, and will simply divide up the SLS's fund amongst the members and disband. Indeed, even as CatAg is being implemented, there are already examples of this happening.

To compound the problem and make it even more intractable, because the capital funds have already been handed over to the SLSs to manage, they have no incentive to link to an apex formal financial institution. The SLSs have the capital funds (indeed in most cases the amount of capital held by the SLS exceeds the demand for loans amongst its members), and do not wish to pay for the services of an apex organization at all. CatAg has now recognized this problem and is scrambling to find a solution - and it is proving to be very difficult. Almost every possible solution requires significant additional investment, and still carries a high risk of failure. There is a very real possibility that this 5 year, $14 million program may prove to have been an extremely elaborate way of handing a few thousand pesos to each “beneficiary”. It would have been more cost effective to have distributed the cash from the outset, and wrapped up the project after a month.

Invoking The Name Of Grameen

One final example of "replication" in the name of Grameen, can be taken from the Central Cordillera Agricultural Project area in the northern part of Luzon, Philippines. In 1997, the project began to hear of a special pre-election project proposed and driven by the President's office, for the benefit of the poorest Provinces in the Philippines. In the Province of Ifugao alone, the LandBank's National Livelihood Support Fund was lending (at 12% pa) P. 3 million ($ 120,000 when the scheme was devised) to a selected co-operative in each Municipality (populations averaging around 2,500 households) for on-lending (primarily) to Agrarian Reform Communities (ARCs).

These co-operatives were given a list of Agrarian Reform Communities members divided into groups of five thus creating "instant" Grameen groups as lucky recipients of loans. The Department of Agrarian Reform has submitted the lists of Agrarian Reform Communities to the co-operatives involved, and they appear to contain a cross-section of the community, including the elite. These "Grameen groups" will take loans at 20% pa repayable either on a monthly or balloon basis. The co-operatives involved are allowed to retain their own collateral requirements, and simply have to worry about collecting the loans. Thus the scheme uses the Grameen name and then proceeds to break almost every one of the fundamental principles that have made the Grameen system successful.

The National Livelihood Support Fund program is by no means an isolated example - many schemes world-wide claim Grameen inspiration and then ignore the principles that have made the Grameen Bank so successful. Perhaps one of the most important tasks for those involved in the MicroFinance "industry" is help clarify and promote some basic principles and best practices - without issuing them as commandments set in stone: a difficult balance to strike.

PART-TIME BANKERS

In addition to poorly designed "blue-print programs", increasing numbers of the development organizations - both Governmental and Non Governmental - are jumping on the MicroFinance bandwagon as a sideline. These organizations tend to get sucked into providing savings and credit services by a combination of two factors. First, their clients demand these services, and they are seen as a way of persuading them to come to meetings (which are then also used to pursue other agendas). Second, the organizations often see savings and credit as a way to make a little money and thus address their donor's demands for "improved sustainability" or "increased self-financing". Neither of these are good reasons for organizations that do not specialize in savings and credit to enter into this complex field. The risks are too high.

Certainly, increasing numbers of NGOs (and indeed Government programs) are using credit as the lure to encourage the poor to form groups which are then used to deliver other extension services - health and family planning, literacy etc. In Bangladesh, JOICEFP's programs in Gorashal and Feni, Gashful's in Chittagong, as well as many others, are using credit as the chief motivating force to gather groups which are then given the family planning and health inputs that address the central or real objectives of the programs. Freedom From Hunger's experience is typical, "Freedom From Hunger [FFH] entered village banking with the underlying aim of reducing malnutrition. In FFH's experience, providing solely nutrition information was not enough to attract regular active participation by poor people. The financial services portion of the program was developed to entice participation and improve poor people's ability to generate income for food" (Holt, 1994). Now, fortunately, the credit program has become an integral (some might suggest, central) part of the FFH approach.

It is difficult to overstate the dangers of getting into savings and credit as a sideline. Banking is a complex business. The financial accounting, the systems of control, the management of cashflow and client confidence, the management information systems and the staff and client training necessary to implement a

savings and credit program are extremely complex. And more, once an organization has started to provide savings and credit services to its clients, it is almost obliged to continue to provide them. This obligation arises from two sources. First, recovering loans from clients who know that no further loans/financial services are going to be made available is notoriously difficult ... and if the organization cannot get its loans back, it probably cannot give its clients' savings back. Second, clients who have had access to financial services use these to better manage their household income and expenditure, and they and their businesses become increasingly dependent on having access to those financial services ... on a long-term basis. Few readers of this article, and no business of any size, could manage without access to a bank account, credit cards and periodic loans. It is therefore imperative that those organizations which get involved in the provision of financial services not only do it on a professional basis, but also do so with a clear commitment to provide permanent, quality services to their clients … anything less is a recipe for disaster.

CONCLUSION

It is perhaps the complexity of delivering financial services and the knowledge that organizations must seek to establish sustainable MFIs, together with the success of MicroFinance programs world-wide, that has given rise to the epidemic of blue-print-driven replication. After all, there is still a huge unmet demand for quality financial services. Despite widespread demand, it is estimated that institutional finance is unavailable to over 80 percent of all households in developing countries (Christen et al., 1996 and Rosenberg, 1994). A conservative estimate of MicroFinance demand all over the world is about 2.5 billion people or 500 million households (Robinson, 1997). The MicroCredit Summit's ambitious target of "reaching" 100 million families by the year 2005 would therefore address only 20% of the demand. But blue-print replication will not lead to quality financial services tailored to meet the local needs and opportunities of the community the institution is trying to serve. Indeed, it is likely to result in a system that forces the people using it to manage their way round its inappropriate rules, regulations, systems and services. Introducing a system of financial services without having researched the financial landscape and the needs and opportunities it presents, is similar to assuming that you can drive a city sedan on all roads. What worked in Bangladesh will not necessarily work in Nepal, Burkina Faso or the Cordillera.

The process of replication must include a period of research and reflection, pilot-testing, monitoring and modification, to tailor the "model" system being replicated for local conditions. And the modifications should maintain most, and ideally all, of the basic principles of MicroFinance (see for example Christen wt al., 1996 and Johnson and Rogaly, 1997 for these). In the words of Christen et al. (1996), "... the emerging model for micro-finance appears to be widely applicable, if sensibly adapted to local circumstances." Without this the MicroFinance industry, which was born of a willingness to experiment and take risks, will perpetuate in-bred systems in a spate of regressive reproduction instead of researching, learning and tailoring in a process of progressive evolution to optimize services. In the rush for replication we must not sacrifice quality for quantity.

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