

CYCI Stakeholders: Roles and Responsibilities

The stakeholders in the CYCI can be divided into two broad categories. The primary stakeholders are:

- the lead agency (the government, development agency or other organisation that initiates the programme)
- the implementing agency (usually a partner NGO)
- the client beneficiaries
- the financiers.

In some cases a single organisation may fill more than one role – for example, the lead agency may also be the financier for the project. Regardless of who fills them, the roles of these primary stakeholders are all necessary for effective implementation of the CYCI. Secondary stakeholders may include:

- community organisations
- academic/training institutions
- business associations
- unions
- religious groups engaging in community activities
- NGOs not directly involved in micro-credit, and others.

The secondary stakeholders can contribute greatly to the success of the scheme in a variety of ways, according to their specific fields of interest.

The CYCI emphasises a participatory approach in which effective partnerships are forged among the stakeholders, all of whom should be involved in the planning, design, implementation, monitoring and evaluation of the programme.

Primary Stakeholders

The primary stakeholders and their roles and functions are as follows:

Governments

The most effective methods by which governments provide credit and business services to poor entrepreneurs are indirect funding and facilitating funding of non-governmental intermediaries that can provide efficient and effective services. The government ministries that play a pivotal role include:

- Economic Planning and Development
- Agriculture and Rural Development
- Youth and Community Development
- Gender Affairs
- Education
- Trade and Industry
- Legal Affairs.

The state has the social responsibility and mandate to eradicate poverty and to improve the lifestyles of its people. It has a role to instil a spirit of enterprise into its people, especially young people – enhancing the qualities of creativity, self-reliance and individual endeavour.

The role of the government is to:

- provide political commitment and policy-making, ensuring political stability and good governance;
- create a conducive macro-economic environment to enterprise and private sector development;

- regulate financial markets, establishing banking rules to ensure depositors security and sound financial practices;
- access financial resources and technical expertise;
- implement legislation that removes the barriers to women's economic participation, particularly as they relate to property rights, asset holdings, credit policies and labour laws;
- establish the institutional arrangements of the CYCI and facilitate the activities of the implementing agency;
- encourage development banks to play catalytic roles including providing funding and encouraging effective participation of non-governmental intermediaries;
- involve and consult all micro-credit stakeholders especially the poor, young people, the private sector and NGOs, in policy formulation;
- ensure adequate monitoring and evaluation of micro-credit programmes;
- facilitate the development of sound, ethical practices and good conduct, and a value-based micro-credit culture in which entrepreneurship can develop as a means for broader social and economic development;
- promote and fund NGOs that develop the small and micro-enterprise sectors and involve young people;
- lobby the multilateral institutions to press for resources to benefit young entrepreneurs;
- encourage and facilitate networking and consultations between the various stakeholders in order to encourage policy dialogue as well as share and disseminate successful models.

Financiers

The financiers are those who provide the funding for the programme. Funders may include the following:

- governments
- private sector financial institutions
- bilateral and multilateral donors
- national development banks and foundations
- the business community
- international aid agencies and donors.

Another important category of stakeholders, even though they may not actually provide funding themselves, are the central banks and financial institutions responsible for determining policies, banking regulations and financial instruments such as interest rates.

There are two main types of funding:

- direct funding to micro-projects
- indirect funding through an intermediary.

Bilateral donors, multilateral donors and international aid agencies often fall in the latter category. They may lend to governments as part of a large aid package. These in turn may fund national micro-credit programmes through national banks, which in this case become direct donors, often called second-tier lending institutions. These institutions channel loan funds through the implementing agencies, which are often smaller formal or informal institutions including some commercial banks, NGOs, credit unions and co-operatives.

Financiers should be encouraged to provide funding which is sufficiently flexible to cover various needs, including funds for institutional development, and capacity building activities which will strengthen the long-term sustainability of the implementing agency and assist it in scaling up and attaining financial self-sufficiency. Financiers should also strive to

ensure openness in their practices and conduct, have a sense of accountability to the state as well as the beneficiaries, and maintain high standards of professionalism in their relations with clients and other stakeholders.

The scope of involvement by a funding agency includes:

- the provision of loan funds and project start-up costs
- the provision of training funds
- the provision of financial technical expertise, where appropriate
- participation in Management Advisory Board meetings
- monitoring activities to ensure that loans are used for the intended purpose and that the enterprises survive – these could include mid-term evaluations and workshops to review progress on a regular basis.

The above are essential activities that must be carried out for the effective implementation of a CYCI. In addition, financial institutions may consider undertaking or supporting some of the following activities:

- publishing reports, dissemination of information as well as support for NGO networks that provide a forum for sharing experiences and exchanging ideas.
- research into the impact of credit policies and schemes on beneficiaries and on the economy
- developing effective partnerships between banks and NGOs through credit lines, deposit services and shared facilities.

The implementing agency

The implementing agency – the partner NGO or lender – delivers loans to the client beneficiaries. It usually has direct contact with beneficiaries through a network of field officers. In addition, the implementing agency

provides basic business and management training to the borrowers. This training may either be supplied directly by the implementing agency, or indirectly through a training institute or similar body.

NGOs and community-based self-help organisations have played a significant role in the delivery of micro-credit to the poor because of their comparative advantage in using participatory techniques, promoting community action and using more cost-effective means of providing services to poor people. NGOs can provide a forum for marginalised groups including women, young people, the disabled, refugees and street people, and the poorest of the poor.

Implementing agencies often receive funds in the form of grants, either in response to specific micro-credit project requests or as part of a large aid package which leaves the use of the funds to the discretion of the NGO. NGOs may also raise funds from the public to support their development activities, including micro-credit. Some micro-credit finance is tied with technological interventions.

Some NGOs have developed linkages with formal financial institutions to leverage capital through commercial banks, guarantee schemes and money markets.

Although in the CYCI model the implementing agency is usually an NGO with experience in micro-credit and/or enterprise training, where such an NGO is not present at the local level, another organisation may take up the implementation role. These other implementers could include:

- *poverty-orientated banks* – specialised credit institutions with their own charters of lending to the poor using a group approach and peer pressure as collateral. Examples include as the Grameen Bank in Bangladesh and SEWA Bank in India;
- *development banks* – as well as operating normal bank facilities, these may have a specialist unit in financial services for

micro-enterprises. Individual loans may be disbursed from a physically decentralised banking system;

- *governments* – usually indirectly through parastatal finance corporations and national banks;
- *affiliate networks* – a village bank run by its members may gain access to lending capital through the affiliate network of a major financial institution;
- *community-based organisations* including self-help groups – if they have the requisite human resource capacity, these organisations may be able to access funds and in turn lend to individual entrepreneurs in groups.

In the absence of a suitable NGO partner, one of these types of organisations may be appropriate as an implementing agency, providing they fit the criteria identified in Section 6, Selecting the Partner Agency. In general, national and commercial banks will need to develop new attitudes, organisational structures, capacities, procedures and financial instruments to respond to the particular needs of micro-credit financing.

The role of the implementing agency is to:

- formulate and design an appropriate credit scheme, in collaboration with other stakeholders;
- take responsibility for the day-to-day operation of the credit scheme;
- manage the loan fund and borrower repayments;
- empower beneficiaries through entrepreneurship, business and management training and ongoing counselling;
- access financial services by either (i) creating innovative linkages with formal financial institutions while remaining outside of them, or (ii) transforming itself

into a formal financial institution, e.g. the Grameen Bank; and

- monitor the scheme through regular reviews with beneficiaries, and report back to the lead agency, funders and other authorities.

Beneficiaries

Beneficiaries can be classified as *direct and indirect beneficiaries*. Direct beneficiaries are the borrowers/loan recipients, while indirect beneficiaries include families and communities who benefit from the use of the loans.

The poor are intended to be the direct beneficiaries of most micro-credit schemes, because they often lack the collateral and security required by commercial banks. Sometimes, because of a lack of education, they may find the paperwork and procedures demanded by lending institutions too complicated and difficult to deal with.

The involvement of the beneficiaries includes:

- creating and running successful micro-enterprises;
- participating in policy dialogue and design of micro-credit schemes;
- forming borrower groups, providing peer support and exerting peer pressure on defaulters;
- forming marketing co-operatives, lobby and pressure groups, and training groups through which they can gain skills and business and counselling services;
- participating in Management Advisory Boards
- developing relationships with banking systems
- developing relationships with local business mentors and becoming apprentices of existing businesses to gain technical and business skills

- advocating and lobbying governments to support micro-enterprise development within their communities.

The intended beneficiaries of a micro-credit scheme should be consulted at all stages:

- choice of credit scheme
- ownership of credit scheme
- levels of service and contribution rates
- operation and supervision of loan repayments
- criteria for receiving loans
- promoting positive attitudes to micro-credit within communities and institutions
- monitoring and accountability.

Secondary Stakeholders

- organisations representing young people, women, disabled people, refugees and street people, and other marginalised groups;
- churches and other religious groups with charitable community activities;
- NGOs and community-based organisations which may not necessarily be involved in

the delivery of micro-credit;

- private sector institutions;
- business communities;
- lobby groups for the poor;
- academic and research institutions; and
- the media.

The roles played by these stakeholders include:

- advocacy and lobbying on behalf of young people;
- publicity and promotion of the scheme;
- serving as mentors and role models for beneficiaries;
- providing supplementary human and financial resources;
- ensuring the accountability and transparency of implementers;
- assisting the sustainability of young entrepreneurs' businesses by buying their products and using their services;
- contributing to national policy dialogue;
- analysing the impact of their actions on young people and micro-credit programmes.