

I venture it's fair to say that your scribe was not the only one of those present with historical connections to the finance industry who wondered where Guy would lead us – perhaps like Gulliver into the land of Lilliput. In his introduction, Alan Van Es outlined Guy's background from his South African origin, his graduating in Social Sciences, Commerce and Town Planning at Natal University, post graduate studies in Colorado, and experience in microfinance and rural financial services. In 1998 he was appointed MD of FINCA – a regulated best practise Microfinance Institution in Uganda which won the Grameen Foundation USA Excellence award in 2002. Arriving in Australia 2003, he has written 2 books, lectured at Macquarie Uni and is currently CEO of World Education Australia Ltd.

In his opening overview, Guy outlined his content – background to his involvement, the “what” of microfinance, some insight into World Education Australia and time for a “Q and A” session. Having been born in South Africa he was naturally influenced by the apartheid culture. He knew that assisted education was provided but it was limited and based on race. He admits that not everyone has the opportunity to reflect on values and principles, but his doing so ultimately brought him into conflict with the government. He came to the conclusion that policies should provide for individual development based on equality, equal opportunity and hard work – not on luck and handouts. He believes this to be important for nation building – particularly in developing countries. He cited the largest charity in the world – the Bill Gates Foundation \$60 billion – if this was distributed to the 4 billion of the world population 6 billion who currently exist on income equivalent of \$2.00 or less per day, it would equate to \$15.00 per head and would not solve the problem. He mentioned World Bank documented evidence of crop failure and food shortage resulting not only in illness and death but forcing people into the hands of unscrupulous money lenders with other consequences such as schooling becoming unaffordable. He believes welfare and charity can be demeaning to both the giver and the receiver, and can also take away work opportunities. We all need freedom to have a say in our own destiny – how can we on \$2.00 per day?

He outlined the circumstances of the numerable poor in Asia. Most are rice farmers who work mainly for food. Most of us in Australia have a household income/expenditure pattern which relies on regular income, the expenditure varying - resulting in periodic surplus/deficit. These poor Asian rice farmers get one or two crops per year with meagre lump sum income depending on seasonal conditions. With ongoing expenditure, they are very vulnerable to economic shock.

Looking at the potential to raise income and promote livelihood development in these poor situations it was recognized that traditional bank finance requiring collateral and for larger amounts was not appropriate. The system needed to be sustainable, able to outreach, providing say for example 10,000 loans of \$500.00. The 3 main costs for any finance institution are delinquency, transaction cost and capital cost.

The 5 main principles of sustainable finance include: 1. Products and services fitting clients needs and preferences. 2. Streamlined operations to reduce costs. 3. Interest rates and fees to cover costs. 4. Program structured so clients motivated to repay. 5. Borrower's sustainability promoted through capacity building.

So what is micro finance?

Put simply, it comprises loans to groups which in turn on lend small loans to individuals to increase or expand small business. The group acts as collateral to cover the peer risk and aggregation of loans reduces transaction costs.

Micro finance factors:

1. Sustainability in provision to large numbers of poor
2. Cost based on same 3 legs as other institutions but different transactions
3. Access a main issue, at rates compared to village money lenders
4. Affordability and rates of return on small and micro enterprise developments.
5. Institutional efficiencies and interest rates

Why does it work?

It provides sustainable financial solutions to the poor at a reasonable interest rate, also results in financial, communication and other educational opportunities from regular group get-togethers.

Guy then expanded on his company World Education Australia Ltd, a not for profit secular company with a mission of improving the lives of the poor in Asia and the Pacific. It has a vision of a world without poverty, a mission to provide opportunities for poor families and a program of micro finance and skills development. Its actions help borrowers in learning to read and write, to meet other people and learn about finance through the micro finance institutions.

World Education Australia's operations include a “Good Return” program providing opportunities for us as individuals to be involved – being innovative, holistic, scalable, transparent, quick and easy, providing choice and a multiplier effect. Importantly it is an interest free LOAN, repayable or not at our discretion.

The Question and Answer session proved most interesting. The group obtains the loan, on lending to the individual. Most are unsecured – and the repayment motivator? – if you don't repay it reflects poorly on the group. Women are the main borrowers – they have a role in the family concern, are better payers, with responsibility for children enhancing stability.

Guy commented on the varied complications of land ownership in different countries including legal restrictions on subdivision and female ownership. Generally there is an endeavour to minimize government involvement. A final comment – Australia has welfare, many of these countries don't.

For comprehensive information on activities of World Education Australia go to www.worlded.org.au

In conveying a vote of thanks on our behalf, Cec Williams was able to support Guy's illustration of the need from his first hand knowledge of circumstances.