Meeting Paper 6-D

The Role of the Public Sector:
Supporting Promising MFIs &
Empowering Potential Clients for Viable & Responsible Financial Inclusion

Japan International Cooperation Agency (JICA)
JICA’s Support to India

1. Organizing joint forest management by the state gov. & ultra-poor villagers
2. *Financial education* of villagers, savings accumulation, meeting villagers’ needs & MF activities with a revolving fund
3. Empowering villagers & their SHGs
4. NABARD(APEX)’s linking SHGs to *private* MFIs while supporting both SHGs & MFIs for financial sustainability

Tamil Nadu Afforestation Project < India >

- **JICA**
- **Government of India**
  - ODA Loan
  - Loan/Grant
  - Expenditure for IGA
  - Training/Dissemination
- **Tamil Nadu Forest Department**
- **Village Forest Committees (VFCs)**
- **Self-Help Groups (SHGs)**
  - About 100,000 beneficiaries
  - Individuals
- **SHG**
- **SHG**
- **ODA Loan (Component Type)**
  - JPY1,325M (10% of the project cost)
- **1,937 VFCs**
- **5,979 SHGs**
- **About 100,000 beneficiaries**
JICA’s Support to Sri Lanka

1. The central bank (APEX)’s *wholesale* & *technical* support to public MFIs and to the enhancement of client capacity

2. Demonstration of successful implem. and of the financial & social viability of MF

3. *Private* MFI’s participation in the second generation revolving, augmented by the central bank without further aid by JICA
Poverty Alleviation Micro Finance Project <Sri Lanka>

JICA

Sri Lankan Government
(The Central Bank)

Rural Development Banks

NGOs, etc.

Project District Offices

Training

Client groups

Micro Businesses
<Sri Lanka>
The Role of the Public Sector

- To support promising MFIs financially, managerially & technically through a sustainable APEX toward financially viable & regulated MFIs
- To empower potential clients, including the ultra-poor on subsidies, with financial education & capacity building for savings & others, aiming at MF financial viability & social responsibility
- Smart customers result in savings mobilization, reduced transaction cost & outreach, lower risk, competition among MFIs, avoidance of over-indebtedness, and customers’ better livelihood

The Way Forward

- Need to study the roles, functions and performance of the APEX mechanisms in various economies and to improve them
- Aiming at the synergetic effect of both the supply-side (to MFIs) and demand-side (to customers) interventions by the public sector in a market friendly manner for commercially viable and socially responsible MF as an integral part of FI strategies
Thank you!

Tsuji.Kazuto@jica.go.jp