

*The financing of family farming
in the context of liberalisation
What can be the contribution
of microfinance?*

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THEME SYNTHESIS

THEME 6

**Microfinance policies and agricultural
policies :
Synergies and divergences**

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Sub-sectorial policies (agricultural policies and microfinance policies in this case) of course depend on the general policy of a country, which determines the pattern, the objectives and the means. However, they also possess a degree of autonomy and are characterised by specific issues and stakeholders, making them more concrete and more operational. But they must also be taken seriously. These policies too often remain simple declarations of intent, subjects of talk with no real effects, except for window-dressing and reference for external financing.

Their importance and also the different underlying conceptions are highlighted here. After an analysis of the respective fields of microfinance and agricultural policies, common interests and divergent interests, lines of reflection are proposed for the development of joint policies and for the enhancement of alliances between microfinance institutions and the other professional organisations.

PUBLIC POLICIES ARE NEEDED, BUT WHAT KIND?

Public policies play or can play a determinant role in the solving of the problems raised by the financing of agriculture. Their polysemous and multidimensional nature, the conditions under which they are developed, the general objectives of state action, which refers to the type of political project that it conveys, nevertheless result in infinite modes of implementation that express the diversity of national paths and economic and social balances of power.

One of the problems encountered in the financing of agriculture concerns the links between the different dimensions of public policies that may bear coherence and incoherence, synergies or divergences.

Indeed, this concerns general objectives of a macroeconomic or macrosocial type, territorial objectives and sectorial objectives, whether these have a general purpose (such as an agricultural policy, therefore aimed at the agricultural sector) or a more specific target (for example, a food security policy or a financing policy within the framework of an agricultural policy).

We examine more particularly here a recurrent problem in the financing of agriculture consisting of the hinging of financing policies and specifically microfinance and agricultural policies. Microfinance policies form one of the fields of the policy of financing the economy or credit for the economy that is one of the components of macroeconomic policies, whereas agricultural policies are one of the sectorial policies promoted by the public authorities. Each category involves different fields of preoccupation and different objectives, and joint but also specific categories of stakeholders, and thus possesses its own dynamics marked by degrees of autonomy that vary according to the context and its history.

We feel that this combined analysis of synergies and divergences between the two fields of public policies is essential as, beyond the different approaches, microfinance and agricultural policies are markedly complementary: family farming needs financing to mobilise technical innovations, purchase inputs, equipment and infrastructure but in many cases it is handicapped by the absence of suitable responses from most overall credit systems. Microfinance is more accessible and flourishes if borrowers develop profitable activities in a favourable environment.

However it is observed unfortunately that there is increasingly frequent compartmentalisation between these two dimensions of public policies, often leading to misunderstanding (for example, 'microfinance cannot finance agriculture') or conflicts (concerning interest rates for example).

A reciprocal effort must therefore be made in comprehension to clearly identify the real divergences and to enhance synergy between the different stakeholders and frameworks for collaboration, without forgetting that the main stakeholders in the two fields examined are rural people whose pluriactivity goes beyond agriculture alone.

Before starting the discussion, it is nevertheless important to specify the operating content of the notion of public policy.

Some people consider that public policies leave a determinant role to the state. A public policy is a programme of action or the product of activity of a public authority defined as the place in which are exercised 'functions of government on defined persons and geographical areas' (Meny and Thoening 1985)¹. It may have different procedures (rules, standards, organisations, direct interventions); it may be explicit and clearly worded and announced but may also be implicit. It is often both at once since official aims and others that are more unofficial are generally superposed.

Others consider that the state should be accepted as it is and not as it should be and that state policy and public policy should not be confused. If policy is only decided by the state, there is considerable risk that it may be unsuitable, little known, difficult to apply, often circumvented and not very effective. 'In this perspective, any public policy (agriculture, health, education, land ownership, etc.) would have to assemble the state, thus rehabilitated, and numerous economic, social or local stakeholders that should first be identified and recognised. It would attempt to reconcile particular interests and the common good and determine for this a contractual framework of mediation, negotiation and application. Such public policies could be qualified as intermediate as they are neither strictly configured by a macroeconomic framework nor reduced to palliative social measures'².

Whatever the definition chosen, the effectiveness of a public policy is very broadly linked to the conditions of its genesis. Indeed, a public policy is first of all the result of a public debate, the product of a compromise between categories of stakeholders with diverging interests. It is the end-product of a whole process starting with a joint appraisal, realistic medium and short-term choices, taking into account internal and external constraints and implementation by the different stakeholders (the administration, farmers' and/or professional organisations, the private sector, etc.), with consultation of 'hidden stakeholders' such as donors. Negotiation is a key stage and requires mediation capacity to make it possible to identify the bases for joint action that are acceptable for all the parties concerned. It is this process at the heart of public policies that differs with strictly state policies, i.e. policies entirely decided and designed by the public authorities alone and whose operational limits are those of a downward rather than a concerted approach.

¹ Whatever the form of the state and its institutions, in the last resort a public authority has the monopoly of legal recourse to force.

² Winter G. (Coordination). *Inégalités et politiques publiques en Afrique. Pluralités des normes et jeux d'acteurs*. Karthala. IRD. 2001. 454 pp.

THE RESPECTIVE FIELDS

Microfinance policies and agricultural policies have their own logic but in certain points have common areas. This is shown in the diagram below:



Microfinance

The central problem of microfinance is the broadening of the field of improved financial services (credit, savings and insurance) to a wide range of populations excluded from the banking systems (this means approximately 90% of the population in most African countries). As the needs for financial services are structural, it is necessary to set up sustainable financial institutions and not conduct reflection with a temporary aim, as was widely performed in development projects in the past.

Microfinance concerns both urban and rural populations and all economically profitable activities (commerce, craft industries, services and also agriculture). The objectives of the different stakeholders can be summarised rapidly:

- a) Clients or members. These desire access to suitable financial products consisting of credit and also savings and insurance. The questions concern the purposes of loans, amounts, duration, repayment procedures, rates of interest, forms of guarantee, sanctions in case of payment default, etc.

- b) Microfinance institutions (IMF¹). Their main concern today is to achieve sustainability. This requires financial equilibrium in priority (and also good governance and social viability). Some have specific objectives: reaching the poorest people, women, difficult zones, etc. MFIs seek to defend their management independence (choice of clientele, of financial products, of intervention zones, of rate of extension, etc.) with regard to the state and donors. They desire a favourable economic (profitability, risks, etc.) and legal environment. They would like to participate in the drawing up of the rules for the functioning of the microfinance sector (rules for the entry of new stakeholders, rules governing competition, prudential ratios, control methods, etc.) and the monitoring of their application.
- c) The state. Most states wish to have the monopoly of the setting of objectives and of rules of operation and control. Their choices concern (i) general objectives and arbitration for example between social justice and performance and competitiveness, (ii) operation criteria such as the guaranteeing of savings (cases of political risks are known, such as the example of the Albanian pyramid schemes) or the supplying of loans for a broad range of users and all the regions of the country, and (iii) pragmatism, by attempting, for example, to respond to the desires of donors in order to attract as much financing as possible.
- d) Donors. Microfinance greatly interested donors for a number of years, with its visibility, easy handling in comparison with the giants formed by many national agricultural credit systems, an instrument for fighting poverty, etc., and which also had a positive image and a fashion effect in the donor countries. This led to a measure of competition and sometimes exaggeration or determination to impose their viewpoints (concerning the purposes of credit, clientele, interest rates, etc.). However, a degree of withdrawal seems to be in progress. The sector is risky. There have been bankruptcies and long undertakings are required (5 to 10 years), which is not appreciated by donors.

In recent years, some countries (Mali, for example) have managed to set up frameworks for concertation that group the different stakeholders and make it possible to define medium-term strategies for microfinance (5 years). It will be interesting to observe their application and to see if the different stakeholders (special unit at the Ministry of Finance, the central bank, technical ministries, microfinance institutions possibly grouped in one or more professional associations, NGOs, various donors, etc.) in practice respect the orientations chosen jointly, how arbitration and sanctions proceed in case of dispute or failure to obey the rules, how the strategies can be revised periodically, etc.

Microfinance and agricultural policy

Beyond these general aspects, it is useful to highlight several characteristics peculiar to microfinance with regard to agriculture.

- a) Microfinance often prefers urban and rural domains (marketing, processing and services) to agriculture. The latter carries considerable risks (climatic uncertainty, epizootics, price instability, rapid saturation of food crop markets, international competition on export markets, etc.) and profitability is generally not very high. Furthermore, the loans are often small and the clientele geographically very dispersed.

¹ They form part of the financial institutions (banks, sinking funds, savings banks, etc.) but are often the only ones with continuous presence in the rural world.

- b) This comparative reluctance with regard to agriculture is confirmed by the consequences of an important principle, that of the borrower's free choice of the use of the loan (open credit in comparison with the targeted credit often preferred by agronomists). Now, when they have the choice, even borrowers for whom farming is the main occupation borrow for non-agricultural occupations and sometimes then prefer to invest the profits of the non-agricultural activity in farming. This is very revealing of the way in which farmers perceive the profitability and risks of the different occupations.
- c) However, statistics and impact studies clearly show that in rural areas microfinance funds crop farming, livestock farming and fishing with short-term loans. This enables both the extension of areas (often doubling it when the landholding situation is not saturated) and intensification (use of innovations, improvement of yields). The portfolio devoted to agriculture may correspond to about 20 to 40% of the total credit.
- d) In contrast with received ideas, microfinance may be interested in the medium term when it is profitable (animal traction, small-scale irrigation, pirogues, nets, motors, threshers, hullers, etc.). Medium-term credit can be the subject of specific guarantees (hire-purchase, security). In some cases, long-term financing (e.g. the extension of a coffee plantation) can be handled by medium-term financing by staggering investments and by using other sources of farm income.
- e) The effects of the driving force of the improvement of commercial networks, thanks to microfinance, on production should not be underestimated: greater competition, reduction in price variations, limiting of dependence on suppliers and moneylenders, the opening up of remote villages, etc.
- f) Finally, the importance of savings and sometimes insurance for facing uncertainties and providing security for farmers must be taken into account.

Thus, overall, microfinance can play an important role in agricultural development but 'not too much should be asked of it'. It can finance the different profitable items on family farms but it cannot finance the following:

- marketing periods for an entire sector or the importing of inputs by specialised private enterprises or farmers' organisations;
- large 'modern' holdings: microfinance is interested in a type of public and the amounts of the loans available rarely exceed CFAF 1 million (but this can go to 5 million in certain cases).

The activities and clientele in the two cases above should in theory interest banks.

Microfinance should not be counted on to provide loans for investments whose profitability is deferred (erosion control, lowland development, etc.) or infrastructure (tracks, bridges, warehouses, etc.). With all the more reason, it will not finance research, extension, training or literacy operations.

The problem of the financing of agriculture thus goes well beyond the framework of microfinance. Nevertheless, if microfinance can provide financial products that are suited to

almost all farms¹ and to the other stakeholders in the rural world (traders, craftsmen, etc.), it can potentially play a considerable role.

Agricultural policies

Agriculture is an economic sector but has a specific status that was strategic for a long time because it is first and foremost the production base for food for people. The history of man and societies was thus long structured by agriculture, which underlay policies of control of natural resources, territories and populations.

Technical progress and increased productivity of factors of production on a scale unequalled in history since the industrial revolution have enabled transfers—particularly of labour—from agriculture to other sectors of the economy. Agriculture has thus become one of the components of overall, more complex economies and its role has developed from the strict function of providing food for humans to the supply of agricultural products for the entire population (and especially the non-agricultural population) and other sectors of the economy (the industrial sector in particular). It has become integrated in markets and, after being one of the driving forces of the construction of national economies, has become one of the factors of overall growth.

This function has substantially conditioned the objectives of public policies of support for agriculture. These have thus emphasised increased production and the continuous quest for technical performance (yields, labour productivity). The intervention measures used have thus concentrated on two main categories of action concerning (i) production structures (with priority on farm size and the grouping of land to facilitate modernisation and economies of scale, especially via mechanisation), and (ii) factor supply and markets (agricultural inputs, equipment, technical advice and, of course, credit).

This general modernisation process has been accompanied by growing integration in the market economy, with the condition of performance to adapt to a competitive and generally unstable environment. In most national situations in industrial countries, this process resulted in the marginalisation of the least efficient holdings and the departure from the agricultural sector of an increasing proportion of the working population that could be employed in other sectors of the economy.

In many so-called 'southern' countries, apart from certain known experiences such as that of 'industrialising industries', agriculture was the key sector in the development policies implemented after the independences. In many cases, the basic function of supply of agricultural products was replaced by that of providing resources for the rest of the economy and especially for the state, in particular through the obtaining of foreign currency by agricultural export sectors. Although the policies were in the main categories mentioned above, their implementation was nevertheless imprinted with a bias that favoured the marketing of products. Agriculture has thus been more a withdrawal sector than one of investment and interventions have often been concentrated geographically in public or para-public projects that made it possible to emerge from a structurally unfavourable context by creating an *ad hoc* 'modernised' environment.

The result of policies of liberalisation and state withdrawal is a confrontation between agricultural structures with low efficiency overall and markets rendered more competitive by the removal of

¹ With the exception of the 1 to 5% large 'modern' farms.

protections. States are supposed to do less but in many cases agriculture needs everything. The current trend is therefore the accelerated segmentation between farms becoming marginalised and farms developing towards the private enterprise category.

It will be noted that donors are markedly involved in and encourage this logic that indisputably corresponds to the dominant sets of references¹. States and their policies have little room for manoeuvre for envisaging alternative scenarios concerning structures and that would require resources that they do not possess. In the absence of host sectors forming alternatives to agriculture, the pattern of evolution of agriculture in many countries—especially Latin American countries—is that of a duality between an enterprise sector subjected to the requirements of market performance and a social sector managed by state aid.

The financing of agriculture does not escape this rule and this opposition between 'enterprise' and 'social sector' marks the design of financial systems, with the banking system and microfinance. Can the search for points of divergence and synergy between microfinance and agricultural policies avoid this fate?

COMMON INTERESTS

Agricultural policies and microfinance coincide fairly broadly with regard to the advantage of profitable agriculture with a minimum of risks. Here, high-quality products have a relatively stable, non-saturated market, good productivity (high-quality research, extension services, training and management advice if this is suitable and not too expensive) and efficient marketing networks (that include storage and transport functions).

A favourable environment creates opportunities for loans that are profitable for microfinance and microfinance makes it possible for farmers to use inputs, equipment and innovations.

If we go into the themes that require joint reflection and action in more concrete terms, three themes can be mentioned in particular.

a) How can risks be kept to a minimum?

Several microfinance institutions have developed insurance covering the death or permanent invalidity of the borrower.

Reflection and a number of actions are in progress concerning health risks (either mutual health insurance bodies or mutual funds distinct from the microfinance institution or specific financial products within MFIs). But everybody is defenceless in the face of climatic uncertainties (these are practically structural in countries such as Niger), epizootics and very strong price variations.

Methods exist (prevention, storage, guarantee funds, exceptional cancellation of debts, moratoriums, etc.) but they are often limited and their perverse effects are well known. How would it be possible to work together to make a critical appraisal of what exists and test new approaches?

b) How can aid be provided in the selection of borrowers and of the projects to be financed?

¹ It will be seen with interest that in the latest version of its rural development strategy entitled '*From vision to action: reaching the rural poor*', the World Bank has abandoned all reference to the notion of development and hence of agricultural policy to concentrate on 1) the promotion of private enterprise and 2) the fighting of poverty.

It is of course necessary to respect everybody's responsibilities. If the farmer is too influenced by the 'advice' given by the extension officer and if the activity is not very profitable, the farmer will tend not to make his repayments and blame it on the extension officer.

The awarder of funding must also bear his risks according to his own criteria (quality of the borrower, of the item to be financed, guarantees, etc.).

However, extension agents and management consultants can explain choices, give technical opinions and possibly hold meetings or specific services (e.g. vaccination) for groups of borrowers concerned by the same problems to ensure their technical skills and management capacity.

c) How can aid be provided for the selective monitoring of borrowers?

With a desire to reach financial equilibrium rapidly, MFI credit officials have less and less time to monitor borrowers and to understand positive effects and difficulties.

An agreement with management consultancy specialists or with extension officers (with perhaps a small remuneration drawn from the interest) would doubtless enable the performance of selective monitoring whose results would then be generalised to different types of farmers.

However, the system must be simple and relatively inexpensive in order to remain operational.

DIVERGENT INTERESTS

a) An obsessive point: interest rates.

Much has been written and said in this debate (see the box below for example)

Are interest rates exorbitant?

MFI interest rates are generally of the order of 2 to 3% per month. This is considered exorbitant by certain developers who hold that 'French agriculture would never have been able to develop under these conditions'.

Microfinance specialists have many arguments to defend the present rates:

- these rates make it possible to cover the high credit management costs¹ (numerous loans and small amounts scattered over a large area) and not especially the default risk, as the repayment rates of decentralised financial systems (DFS) are often excellent in rural areas (95 to 99%) according to R. Chao Beroff and A. Chomel (doc. 1 pp. 34 and 35);
- the main problem today is the access to financial services much more than their cost. Surveys show that the interest rate is not a constraint expressed spontaneously by borrowers (cf. surveys in Guinea and Benin) but tends to be put forward by civil servants or politicians;
- DFS interest rates must be compared with those of the more or less informal market (moneylender, supplier), which is of the order of 10 to 20% per month;
- the financial costs should be compared with the profitability of the operation financed by the loan. They generally form 10% of the margin (cf. impact studies).

Beyond the contradictory opinions, there are doubtless two features for agreement:

- with economies of scale, an effort should be made to lower the present interest rates. High interest rates must not encourage inefficient management;
- distinction must be made between interest for short-term loans (commerce, processing, farming season, etc.), for which a comparatively high rate can be justified, and medium-term loans whose management costs are often lower and that may require lower interest rates from the point of view of profitability. For example, at Kafo Jiginew, short-term

¹ Explaining why the classic banks do not adventure in this.

commercial credit (3 months) is 4% per month, 9-month season credit is 2% and 3-year equipment credit is 1.2% per month.

Source: Inter Réseaux. *Le financement des exploitations agricoles dans les pays en développement.* 2001.

It is simply reminded that interest rates must cover several items: the very high costs of awarding, managing and recovering credit in the case of small, scattered loans, the cost of the resource (savings, credit line, etc.), the risk of default (poor choice of borrowers, the illness or decease of the borrower, climatic or economic risk of the activity financed, etc.). The principle of the subsidising of interest rates can be fully acceptable, even in the case of neoclassical theory, but in practice this creates strong dependence of the MFI on the limited, uncertain resources of states or donors. It therefore seems preferable to have interest rates that make it possible to attain financial autonomy.

In order to attain—with difficulty—financial equilibrium in a rural environment, well-managed MFIs need an interest rate in the order of 2 to 3% per month. This rate compares very favourably with those of the endogenous sector (10 to 20% per month) and, for season credits (selected seed, fertiliser, pesticides, fattening, etc.), generally 4 to 10% per month, does not prejudice the profitability of the activities financed (cf. impact studies). The interest rate can be decreased for medium term credit since the management costs are often lower and material guarantees can be found (cf. hire-purchase). External subsidies (state, donors) are still necessary but should be allocated in priority to other types of expenditure (extension of the network, certain types of training or equipment, studies and research, international audits, etc.). 'Ordinary' functioning is therefore covered internally, which strengthens the autonomy of the networks and enables survival in the face of the effects of fashion and the slow procedures of donors.

b) Targeted credit or open credit?

Even if one readily understands the concern of agricultural policies and agronomists to target loans on certain items or certain innovations, the perverse effects (the 'diversion' of the items for which the credit is intended, the resale of inputs at a low price and hence a poor repayment rate) are too well known to go back and give up the principle of the borrower's free choice between profitable economic activities. However, accurate studies should enable better understanding of the reluctance of many farmers to invest in agriculture. This may be the result of financial products that are unsuitable (sometimes in particular in the calendars for the awarding and repayment of loans), which is easy to correct, or be caused by other factors in the environment (the quality of the inputs available and the inefficiency of the supply system, the lack of veterinary services, narrow market, etc.) that require other types of treatment.

c) How can credit for agriculture be encouraged?

While maintaining the principle of open credit, an attempt should be made to reverse the current trend that leads MFIs to prefer urban to rural and commerce to agriculture. A first substantial effort is the development, jointly with those concerned, of suitable financial products, with special attention paid to the various specific risks and the different methods of covering them. If this is not enough, it might perhaps be necessary to succeed in proposing quota systems (in the number and volume of loans for agriculture, in the percentage of

farmers on boards of directors, etc.), knowing that these incentives can easily be circumvented if they are not internalised by the stakeholders concerned.

HOW TO DEVELOP JOINT POLICIES

The basic ideas are comparatively simple and above all concern political determination and/or balances of power.

- a) The objectives and stakeholders of agricultural and microfinance policies are the same overall. Synergy should be enhanced while conserving their specificity and relative autonomy.
 - This synergy first requires joint reflection and concerted actions in each sector (both FOs and MFIs), which is still a handicap in many countries for the development of a joint agriculture/microfinance policy.
 - The need for a minimum of regulation between the different ministries concerned (finance, agriculture, social affairs, youth, promotion of women, etc.) should not be forgotten, especially in the microfinance field. Certain ministers in search of external financing manage lax projects (no concern about defaulting, low interest rates, no prospects of sustainability, etc.). This compromises the efforts made by serious MFIs. As with money (Gresham's law) bad systems may force out good ones.
 - Without wishing to create useless superstructures or inefficient institutions, it is important to take the regional dimension of agricultural and microfinance policies into account by playing on economies of scale and complementarity¹.
- b) In order for these policies to be adapted and appropriated, it is necessary to change from the notion of state policy (often with a not very transparent tête-à-tête with donors) to that of public policy developed by the various stakeholders concerned. This requires the following in particular:
 - the search for an alliance between the MFIs (especially those with a mutual or 'participant' base) and the other agricultural professional organisations. The compartmentalisation that has become established in recent years between the microfinance sector and that of the FOs is indubitably a great loss that reduces their respective weights in discussions with partners outside the farming world;
 - the strengthening of the capacities of the various stakeholders, and especially farmers and their organisations, so that they can participate actively in negotiations. Capacity building means information, training, aid in the formulation of a strategic plan and aid in negotiation;
 - taking private stakeholders into account (importers, traders, hauliers, processors, multinationals, etc.) in the defining of public policies but without either demonisation or indulgence;
 - redefining the role of the state. The latter remains essential but can recover its legitimacy in a necessary role of encouragement, arbitration and guaranteeing the respect of decisions taken jointly and not that of imposing policies that it defines alone.

¹ Cf. UEMOA / IRAM. *Etude de la définition des grandes orientations de la politique agricole de l'UEMOA*, April 2001. (pp. 74-77).

For example, it would be interesting during the seminar to perform a comparative analysis of the development and setting up of national microfinance strategies: endogenous development or development by a team of experts, real public debate or simple consultations, political support as in Mali or blocking as in Burkina Faso and Togo. A particularly important point would be to see how these policies and their modes of elaboration have been taken up and used in new SFPRs (strategic framework for poverty reduction) or, in contrast, have been abandoned or forgotten in favour of 'new' orientations. Likewise, a comparative analysis should be performed of how agricultural policies form part of these SFPRs or whether these new strategic frameworks are centred mainly on health and primary education.

- c) Applying these principles requires a number of decisions and practical procedures in each country: capacity building for stakeholders, the choice of the various representative stakeholders¹, the preparation of policies (studies and debates at the local, national and sometimes regional level), decision making and the monitoring and control of application. The medium term (5 years) plan formula with periodic revision allows both internal and external visibility.

CONCLUSION

Various observations can be drawn from these analyses:

- the development of synergy is very much in the interest of agricultural and microfinance policies, but with account taken of their relative autonomy and specificity;
- microfinance can finance farms in both the short term and the medium term. However, it is preferable to call on the banks for the financing of inputs and marketing and the large investments of 'large planters' (even if joint financing formulas can be envisaged);
- family agriculture can pay the ordinary costs of microfinance with comparatively high short-term interests rates and lower rates in the medium term. The subsidising of interest rates does not seem to be judicious and is difficult to maintain in time;
- family agriculture cannot develop using its accumulation capacity alone. It needs public investments in research, training, protection of the environment, transport infrastructure, irrigation infrastructure, etc. forming part of an agricultural policy and a national policy favouring producers and the national and regional market;
- these policies funded by national efforts and international aid are the results of a public debate between the various stakeholders involved and not just between the state and donors. An alliance between farmers' organisations and microfinance institutions would seem essential so that family farmers can be heard and can count in the balance of power.

Beyond these various observations and the technical intervention procedures that can be envisaged in questions of the financing of agricultural activities, the central point remains the type of agriculture desired by each society. This leads to the position, roles and status awarded to agriculture in economic and social development.

¹ With representatives of agricultural policy stakeholders in the defining of microfinance policies and vice versa.