



Global Microcredit Summit 2006

World Trade and Convention Centre, Halifax, Nova Scotia, Canada
november 12-15

Micronews

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Highlights from the Microcredit Summit opening ceremony

Microfinance movement changed forever by Nobel Peace Prize win



Keynote speakers and delegates alike were buoyed, at the opening ceremony of the Global Microcredit Summit in Halifax yesterday, by the recent awarding of the Nobel Peace Prize to Bangladesh economist Muhammad Yunus, founder of the Grameen Bank in Bangladesh.

"It's the highest recognition in the world," Dr. Yunus told the approximately 2,000 delegates at the World Trade Centre. "From this day on, we enter a new phase of microcredit."

Chaired by Microcredit Summit Director Sam Daley-Harris, the gala ceremony was attended by dignitaries from around the world, including Queen Sofia of Spain, Honduras President Manuel Zelaya, Pakistan Prime Minister Shaukat Aziz, Uruguay Vice-President Rodolfo Nin Novoa and Canadian Foreign Affairs Minister Peter MacKay.

Delegates were welcomed to the port city and the province by newly-appointed Nova Scotia Lieutenant Governor Mayann Francis as well as provincial and municipal representatives.

The announcement by the Nobel Peace Prize Committee on October 13th that Dr. Yunus and the Grameen Bank were co-winners of the prestigious award, just weeks before the Microcredit Summit, has been a major boost to the microfinance movement world-wide. "We feel taller today. We feel more confident today. The whole world now

knows what microcredit is," Dr. Yunus told the audience.

He cautioned them to be clear, however, that he wasn't the only winner. The Grameen Bank won half of the prize. "Where does the prize go when it's the Grameen Bank that wins? It goes to the owners of the Grameen Bank. It goes to the seven million poor women in Bangladesh. Today, I'm not the only Laureate. Those seven million women are also Nobel Laureates."

He told delegates that they, too, as workers in the microcredit movement were also Nobel Laureates. He congratulated the Microcredit Summit Campaign for reaching its goals, and for the bold new goals which will be announced at the Summit for the next decade.

Several speakers congratulated Dr. Yunus, and praised him for being an inspiration to the microcredit movement. "He is a sterling example of a lifetime commitment to working with the world's poor," said Pakistan Prime Minister Shaukat Aziz. Telling the delegates that "no one knows better than you the impact that microcredit can have," Canadian Foreign Affairs Minister Peter MacKay announced that his government will provide \$40 million in funding for microcredit in developing countries, money that will be funneled through non-governmental organizations like Oxfam-Canada and the Desjardins Group.

At the close of the ceremony, Summit co-chair Sam Daley-Harris invited delegates to sign the Microcredit Summit Declaration of Support 2006 – 2015 on behalf of their organizations, and return the form to conference organizers.

The Declaration of Support outlines the goals of the new campaign: 1) to reach 175 million of the world's poorest families with credit for self-employment and other financial and business services by the end of 2015; and 2) to ensure that 100 million of the world's poorest families move from below the US\$1 a day threshold.

by:
SUE CALHOUN and JOSE LUIS MORENO
Micronews.

USAID and FINCA to make multi-million dollar announcement

USAID will hold a press conference this morning to announce a multi-million dollar expansion of a rural microfinance project to promote peace and stability in Afghanistan. The program, which involves providing small loans to the lowest income Afghans through locally run Village Banks in areas torn by war and civil unrest, will help 50,000 returning refugees start and expand farms and small businesses. The USAID grant will go to FINCA International, a pioneering microfinance organization with more than two decades of experience working in that country.

AGENDA IN BRIEF:

MONDAY NOV. 13

09:00 – 10:45
Plenary session
10:45:30 – 11:15
Break
11:15 – 13:00
Workshops
13:00 – 14:00
Lunch on your own
14:00 – 15:00
Associated sessions
15:00 – 15:30
Break
15:30 – 17:15
Plenary session
17:15 – 17:30
Break
17:30 – 18:30
Associated Sessions
18:30 – 19:30
Launching Mifos –
Cocktail Reception

(Eng/Fr/Sp)



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BEST QUOTE OF THE DAY "We are no longer a footnote in the financial systems of the world. We are now part of the mainstream and hopefully will become the core of the mainstream."

-Dr. Muhammad Yunus, founder of the Grameen Bank and winner of the 2006 Nobel Peace Prize

MICROINTERVIEW JOHN HATCH

Founder, FINCA International

by Sue Calhoun, MicroNews

"Our research tells us that women are already taking their business profits and investing it in the education of their children. So to not open up a credit line to young adults now would, in a sense, be a waste of that investment."

FINCA's research has documented the existence of a youth unemployment crisis, and you argue that it is time for the microcredit movement to shift from its "women-only" focus to a family focus. Why?

I'm not suggesting leaving women and putting the emphasis on children. We should continue to lend to women, but we should also think about their unemployed adult children (those who are 15 to 24 years old) so that they can have a chance to create businesses that would go somewhere, that would create jobs. These young people are educated. They already have business skills. They've been raised watching their mothers be village bankers so they're already sensitized to entrepreneurship. The issue is job creation. The best

anti-poverty vaccine is jobs. We need to learn how to create more jobs in this industry.

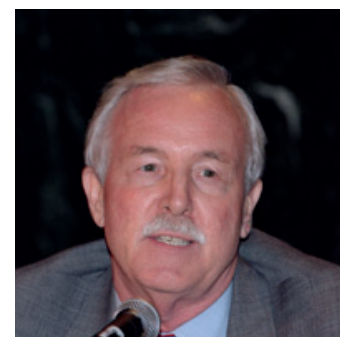
Research has shown that women are better re-payers. Wouldn't focusing now on young people generally run into the same problems experienced initially, with people not repaying loans?

That may be a problem with male borrowers but female young adults are very much part of an extended family structure and would be just as good at re-paying as their mothers. Our research tells us that women are already taking their business profits and investing it in the education of their children. So to now not open up a credit line to young adults now

would, in a sense, be a waste of that investment. An important point is that most developing countries have very fragile labour markets. Youth rebellion results from frustration at not being able to find a job. Microcredit has a role to play in providing resources to young adults so that they can start businesses.

What are your thoughts as you go into retirement after 22 years with FINCA?

I'm thinking about our earliest banking models and asking myself, knowing what I know now, how would I re-invent village banking so that it's not just credit but self-help groups that focus on the needs of the clients. I'm thinking that we need to make microcredit a social business, focused on social performance, in which credit



becomes just a tool. We need to create slogans for the movement that would ensure that we reach the poorest of the poor. The slogan of the next decade should be **Leave no one behind.**

MICROFINANCE TODAY

Transforming Microfinance Institutions: Providing Full Financial Services to the Poor

By Joanna Ledgerwood and Victoria White. Reviewed by Henry K. Bagazonzya, Senior Microfinance Specialist, Africa Region, World Bank.



The process of converting an NGO microfinance provider into a formal financial institution is commonly called "transformation." A formal financial institution typically must be commercially-oriented to ensure it will sustain a margin over its cost of funds and operating costs, and is often a profit-maximizer to satisfy shareholder requirements.

The recently published book *Transforming Microfinance Institutions: Providing Full Financial Services to the Poor** (World Bank Publications, September 2006, 568 pages, ISBN: 0-8213-6615-7, \$50.00) uses the experiences of NGOs throughout the world, and more specifically draws on the

experiences of transformed institutions in Uganda, to demonstrate why, how and when an institution can successfully transform from an NGO providing credit only, to a formal and regulated financial intermediary accessing equity capital and intermediating public deposits. It also provides invaluable information and practical advice on how the NGO microfinance mission can be preserved and advanced by the transformed MFI.

This book provides a highly useful menu of "do's" and "don'ts" derived from the experiences of transformed institutions around the world. The authors address issues related to cultural change, particularly with the addition of savings mobilization and dealing with competition. Sponsors and managers of NGOs considering transformation will find the book

invaluable when supporting or carrying out transformation. Part One provides an introduction to mobilizing savings from the public as well as a thorough analysis and guidelines on how to regulate deposit-taking MFIs serving the poor. Part Two addresses strategic issues and provides good, commercially-oriented guidelines for transforming institutions, ranging from planning for transformation, to marketing and competitive positioning, strategic and business planning, funding structure, investor selection/ownership and governance, and managing the legal aspects of transformation. Operational issues addressed in Part Three include financial management, human resources management, MIS, internal controls, branch operations and customer service.

The authors - Joanna Ledgerwood and Victoria White - hope that when transforming institutions succeed in the transformation process, they will serve larger numbers of low and lower middle income clients since they will be able to offer a wider range of financial services and access increased resources they can utilize to expand their loan portfolios.

Transforming Microfinance Institutions is an invaluable reference for practitioners, policymakers, regulators, and academics.

* The book is now available at bookstores and can also be ordered directly from the publisher at www.worldbank.org/publications



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Alex Counts, Roshaneh Zafar and Erin Connor

Factors that contribute to exponential growth: Case studies for massive outreach to the poor and poorest

The argument for accelerated growth in microfinance is based on the persistence of mass poverty and the fact that microfinance has proven to be one of the few anti-poverty approaches that is both effective and scaleable. Rapid growth (in terms of client outreach) should be pursued aggressively and with a sense of urgency wherever growth-ready MFIs are operating in a reasonably enabling environment.

Based on case studies explored in this paper, the most important factors contributing to the success of rapid expansion of an MFI include the following:

- Strong entrepreneurial leadership.
- Adequate financing.
- Some degree of regulatory support.
- Strong focus on (a) microfinance, (b) sustainability, and (c) effectively serving a particular niche.
- A large un-served market (i.e. relatively large numbers of poor who do not have access to microfinance services).
- Ability to attract, harness and retain talented employees at all levels of the organization.
- Effective information management systems and financial controls.

Some non-essential although important factors that can contribute to the success of a growth strategy include: a strong core team beyond the CEO; good governance and strong stakeholder support; financial products that respond to a clear need among the target population; and country-wide economic and monetary stability.

Everyone has a role to play:

- Microfinance managers and Boards should make effective targeting of the poorest a priority.
- Regulators and policymakers should eliminate unreasonable barriers and create a favourable policy environment.
- Financial institutions must explore opportunities in microfinance and draw on lessons learned.
- Donor agencies should focus on providing flexible support for systems, product innovation, research and development and managing currency risk.
- The media should cover the emerging microfinance success story while giving thoughtful treatment to remaining challenges.
- Researchers should make documenting the impact of a new generation of MFIs a research priority.
- The general public in developed countries should think and act globally by supporting one or more microfinance networks. In developing countries, the non-poor public can seek ways to do business with microentrepreneurs.



MICROSTATISTICS



MIX Investor Survey finds strong demand for list of "Leading MFIs"

A lot of attention in microfinance is said to be directed to a small group of leading microfinance institutions (MFIs). The Microfinance Information Exchange, Inc. (MIX) recently carried out a survey amongst investors and donors in microfinance to verify this and to establish how they would define Leading MFIs. Almost 400 people participated in the survey.

Among the key results:

- A solid 79% call for a public list of Leading MFIs;
- 57% want the list developed on principally quantitative criteria, adjusted by qualitative input. A purely qualitative dimension, without quantitative screens, drew only 3% support;
- Quantitative criteria is to be developed and applied globally (not by regions) by types of MFIs (banks, NGOs and other peer groups – 45%);
- The most important qualitative criteria defining a Leading MFI are Quality of MFI Management, followed by Quality of Reporting/Disclosure; and Innovation in Products & Services.
- The "most important" quantitative criteria are Number of Active Borrowers (38%) and Portfolio at Risk (31%);

Among quantitative measures, there were some interesting answers:

- The top result for Total Asset Size is "greater than USD 20mn." (22%), though three response categories between USD 1mn. and USD 10mn. received together the majority of all responses;
- The top result for Gross Loan Portfolio size is "greater than USD 5mn." (24%), followed by "greater than USD 10mn." (19%);
- The most common cut-off point for Number of Active Borrowers is "greater than 50,000" (by 24%), framed closely by "greater than 20,000" (20%) and by "greater than 100,000" (19%).
- For Portfolio at Risk greater than 30 Days, a solid 44% require "less than 3%" from a Leading MFI, followed by "less than 5%" (26%), and "less than 1%" (19% - a very tough crowd!).

The survey includes answers from more than 100 investment staff from commercial banks, investment banks, management companies for microfinance investment funds, donors, foundations, bilateral or multilateral development agencies. Details may be made public by MIX at its discretion. A summary will be distributed publicly at a later stage.



financing high performing MFIs globally

The Dignity Fund is proud to be among the community of organizations dedicated to advancing the cause of microfinance at the Global Microcredit Summit 2006.

Elizabeth Funk, CEO and Founder, panelist today on Communication Strategy and PR 17:30-18:30 (Mariner 5)



Don't miss the Launch Event!

Grameen Foundation invites you to a cocktail reception to announce the launch of the global Mifos Initiative.

This Monday Night, 13th November, 6:30pm
Port Royal Room, World Trade & Convention Center, Halifax



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