



Global Microcredit Summit 2006

World Trade and Convention Centre, Halifax, Nova Scotia, Canada

november 12-15

Micronews

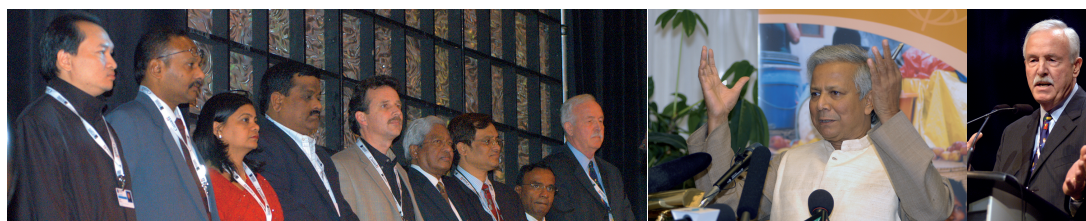
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Highlights from the Monday Morning Plenary

Challenge to meeting 2015 Campaign goals: Effectively measuring the \$1/day threshold



The microcredit movement's ability to find ways to cost effectively measure the US\$1 per day threshold will be a major challenge to meeting the bold goals for 2015 set at the Microcredit Summit in Halifax.

"We currently don't have a way to determine the extent to which our clients are making that progress to move above the \$1 per day threshold," Plenary Chair and Campaign director Sam Daley-Harris told delegates.

Keynote speakers were Thierry van Bastelaer, Director of Economic Opportunities, Save the Children, USA and Dr. Manfred Zeller, Professor for Rural Development Theory and Policy, University of Hohenheim, Germany. They authored "Achieving the Microcredit Summit and Millennium Development Goals of Reducing Extreme Poverty: What is the Cutting Edge on Cost-Effectively Measuring Movement across the \$1/Day Threshold?"*

This groundbreaking research argues that tools developed to cost-effectively measure US\$1/day poverty could also measure movement across poverty lines in countries around the world. Part of the impetus for the research was a law passed by the US Congress four years ago, requiring 50 percent of USAID funds to go to the "very poor."

Dr. Manfred told delegates that it is possible to develop and implement

measurement tools that are simple and easy to apply, if the following conditions are met:

- 1) The correct exchange rate for poverty is used (i.e. PPP rates rather than market exchange rates);
- 2) Tools are as accurate as technically possible;
- 3) Tools are calibrated for the country and over time, as conditions change;
- 4) Poverty is assessed on groups of entering clients; and
- 5) Data is collected at regular intervals on the same clients.

Mr. Bastelaer said that the research has implications for practitioners, who will succeed in measuring movement across poverty lines if certain conditions are met, for example, if there is full involvement from management, and if incentives are set for staff that emphasize total accuracy, not that a certain percentage of those funded have to be poor.

Panelists included Lennart Bage, President, International Fund for Agricultural Development in Italy; Jonathan Morduch, Professor of Public Policy, Wagner School, New York University, USA; John Hatch, Founder, FINCA International, USA; and Kate McKee, Senior Advisor on Policy, Poverty Outreach and Aid Effectiveness, USA.

Jonathan Morduch said that the challenges in finding and implementing

adequate and effective ways of measuring poverty are great, although the authors' research shows that it is very possible with a clear path, good ideas and energy.

Ms McKee challenged delegates to close their eyes and visualize the year 2015. "What will your organization have done to achieve that audacious goal of moving 100 million families above the \$1/day threshold?" she asked. She outlined six essential steps for organizations to follow if the goal is to be achieved.

FINCA's John Hatch related his organization's efforts to develop a simple questionnaire on a Palm Pilot, and to send young people out into the field to interview several hundred families in two countries during a 60-day period. For many, it was a life-changing experience. "Even the process of trying to get information has benefits in itself," Mr. Hatch said, urging that youth is the future of the microcredit movement.

In summary, Sam Daley-Harris said the debate puts aside the issue of causality. "It doesn't ask the question, did a client rise above the \$1/day poverty level because of microcredit. It just asks, did it happen?". By Sue Calhoun and Jose Luis Moreno, Micronews.

*The document is available in the book, More Pathways out of Poverty, edited by Sam Daley-Harris and Anna Awimbo.

AGENDA IN BRIEF:

TUESDAY NOV. 14

09:00 – 10:45
Plenary Session
10:45 – 11:15
Break
11:15 – 13:00
Plenary Session
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 – 17:45
Break
17:45 – 19:15
Meeting of Councils
19:30 – 21:00
Aga Khan
Foundation Canada
Film Screening and
Reception
(Eng/Fr/Sp)



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BEST QUOTE OF THE DAY : "We have so much to be proud of. We have come so far. One hundred million clients – when has that ever happened in human history? [Microcredit] has been the biggest self-help event in human history."

-John Hatch, Founder, FINCA International

MICROINTERVIEW

MARIA OTERO

President & CEO, ACCION International

Co-author: *Microfinance through the Next Decade: Visioning the Who, What, Where, When and How*

by Sue Calhoun, MicroNews

"We're just scratching the surface of what is possible. It's a time of innovation, a time of added experimentation, a time of thinking about a level of scale much larger than we can imagine."

With mainstream banks now offering to buy MFIs, how much of a threat is this to the microfinance movement's ability to stay focused on helping the poorest of the poor?

The mission of the movement, in general, is broader than reaching the poorest of the poor. If you were to talk to the major players that are reaching the majority of people, the real thrust is reaching people who are poor although not exclusively the poorest. If we can prove that we can do that in a self-sustaining way, it shouldn't be a problem.

How will this trend impact the role of the NGOs?

The role of NGOs will continue to be very important. It's likely, for example, that the mainstream banks won't go into the rural areas but they will certainly be willing to work with the NGOs that do. Everything that's been accomplished in microfinance is because of the pioneering work of NGOs. One of the key messages of our paper is that the number of players involved in microfinance is much wider than when the movement started. It includes the original NGOs but also commercial banks and even large non-banking institutions like retailers.

A theme in your paper is the urban-rural divide, both in terms of differing levels of poverty and access

to microfinance. How will these challenges be addressed in the next decade?

Indeed, we see that as one of the biggest challenges. We need to find out what are the distribution channels and how can we do it in a cost effective manner? We also need to develop more products that reach clients involved in agriculture.

Your paper is very optimistic about the future of microfinance in the next decade.

Absolutely! It is a real statement of the fact that we've taken this field very far, those of us who've been involved in it for 20 years. At the same time, we're



just scratching the surface of what is possible. It's a time of innovation, a time of added experimentation, a time of thinking about a level of scale much larger than we can imagine. That's the future.

MICROFINANCE TODAY

Microretail and Technology to Serve the Poor

By Claudio Reyes, TeBusiness creyes@tebusiness.com



For quite some time, there have been many active microfinance-related entities that are involved not only in credit operations, but also in insurance, pension, health, risk management, savings, communications and payment facilitating operations.

Both banks and microfinance institutions are focusing on the bottom of the pyramid. Banks are experiencing a downscaling process, while microcredit organizations are beginning to upscale their operations. As both sectors believe that there are many advantages of one versus the other, and feel like they have their 'set' place in the industry, they both share a concern: microretailers.

The introduction of retailers into the financial sector, particularly those specializing in segments

that target low income populations, is growing in around the world. The advantage these organizations have is their deep-rooted culture of understanding their clients, consequently being able to package products that are highly customized, whereas bigger banks and older microcredit institutions find it more difficult to divert from their principal caveat of lending inexpensive money.

In the current state of microfinance, it is imperative to understand the clients' needs. There is a fundamental need to develop attractive products that clients never thought would be within their reach and are now possible. In this new realm, it is very important to have vital technological infrastructure that assists in the process of communicating with clients, supports sales operations,

helps gauge client information, assists in overall market analysis as well as provides information for clients around the clock. The infrastructure developed should also be linked to risk management operations.

Microfinance is no longer "handmade." New entrants need to account for the high level of technological advances that are readily available and are critical for efficient operations. For this, those who are entering the field (or wish to remain in it) are about to encounter a great challenge: to embrace the changing paradigm of microfinance or to disappear. Translated by Dany Naierman, Volunteer, Microcredit Summit 2006


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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.

Steven Funk, Founder, Co-Chair today for Meeting of Councils: Corporations, Banks 17:45-19:15 (Highland 7)

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MicroReport

Microcredit Summit Commitment

10 MFIs sign on to Goal 2 for 2015

Ten of the largest microfinance institutions committed themselves yesterday to working with the Microcredit Summit Campaign to find and implement credible methodologies to measure progress of clients above the US\$1 a day threshold.

In a ceremony at the Monday morning plenary, they also committed to reporting their findings to the Campaign on an annual basis.

The commitment addresses the Microcredit Summit Campaign's goal #2, of ensuring that 100 million of the world's poorest families rise above the dollar-a-day threshold by 2015, in that way lifting half a billion people out of extreme poverty.

Plenary Chair Sam Daley-Harris called the event an "exciting commitment" that will help the microcredit movement move forward in being able to measure when clients move above the dollar-a-day threshold.

The Plenary focused on the need to develop and implement simple measuring tools. Mr. Daley-Harris noted that the thrust of this debate is to set aside the issue of causality, that is, whether having microcredit caused a client to move above the US\$1 a day threshold. "The question to ask is just, did it happen?"

John Hatch of FINCA International, one of the commitment signatories, told delegates that the microcredit movement has built such a momentum that there is no question that the goals for 2015 will NOT be met. He challenged them to think further along, to 2025, "when we'll see an end to poverty on this planet altogether."

Microcredit Summit Commitment

As an expression of our institution's commitment to achieving the Millennium Development Goal on cutting poverty in half and the Microcredit Summit goal of ensuring 100 million of the world's poorest families rise above the US\$1 a day threshold, we pledge to work with the Microcredit Summit Campaign to find and implement credible methodologies to measure progress of our clients above the US\$1 a day threshold and to report those findings to the Campaign on an annual basis.

Institutions that signed Commitment:

- Association of Asian Confederation of Credit Unions (ACCU)
- Association for Social Advancement (ASA)
- Bangladesh Rural Advancement Committee (BRAC)
- FINCA International
- National Bank for Agriculture and Rural Development (NABARD)
- Opportunity International
- Samudhi Authority
- SHARE Microfin Pvt. Ltd.
- Spandana
- Vietnam Bank for Social Policies



American Microenterprise Forum, 23 national microfinance networks signed the Framework Cooperation Agreement among microfinance networks of Latin America and the Caribbean.

FRAMEWORK COOPERATION AGREEMENT AMONG THE MICROFINANCE NETWORKS OF LATIN AMERICA AND THE CARIBBEAN

By Reynold Walter, REDCAMIF.

In the past decade, microfinance networks have played a very important role in the development of the industry, contributing both to the stability and to the consolidation of the Microenterprise sector. National and regional microfinance networks provide a variety of services such as: i) representation of the sector; ii) dissemination of information; iii) development and monitoring of benchmark indicators in the microfinance industry; iii) advocacy regarding the regulatory framework and public policies; iv) training; v) use of credit reference bureaus; vi) second tier funds for microfinance institution financiers; and vii) new product development.

On October 6, 2005, in Santa Cruz de la Sierra, Bolivia, in the framework of the VIII Inter-

This cooperation initiative had its roots in the Regional Microcredit Summit for Latin America and the Caribbean which was held on april 2005 in Santiago, Chile where 25 representatives from the major microfinance networks and institutions of the region came together for the purpose of establishing linkages for cooperation and exchange among networks. At the gathering, a Development and Follow-up Committee was established to draft the Framework Cooperation Agreement.

With the signing of the agreement, the national networks seek to establish a link for cooperation and collaboration among the microfinance networks of Latin America and the Caribbean on issue areas of common interest, and to establish mechanisms for the coordination of activities in order to strengthen the development of microfinance throughout the continent.

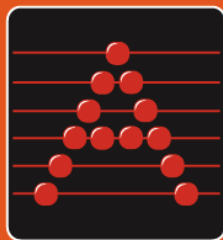
LATIN AMERICA AND THE CARIBBEAN IN THE WORLD-WIDE CONTEXT

Latin America and the Caribbean Microfinance Networks

42	Countries
64	Million of Microenterprises
569	Million of Inhabitants
24	Microfinance Networks
450	Microfinance Institutions
2,632	Branch offices
30,750	Microfinance Networks Employees
4,900,000	Taken care of Clients
3	thousand of millions of US\$ loan portfolio



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