



Global Microcredit Summit 2006

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

november 12-15

Micronews

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Official bulletin • Edition # 1 • Sunday 12th, November 2006

WELCOME TO THE GLOBAL MICROCREDIT SUMMIT 2006:

Campaign on target to meet goals by 2006



Percy Villazana

More than 113 million clients, of whom 82 million were among the world's poorest people, received microloans last year to start or expand small businesses. The announcement was made at a press conference in Washington, D.C. on November 1st, as the 2006 State of the Microcredit Summit Campaign Report was released by its author Sam Daley-Harris, Director of the Microcredit Summit Campaign and organizer of the Global Microcredit Summit 2006 in Halifax, Nova Scotia.

The press conference was co-chaired by Alex Counts, who founded the Grameen Foundation in 1997 in cooperation with Bangladeshi economist Muhammad Yunus, founder 30 years ago of the Grameen Bank. The Norwegian Nobel Committee has just confirmed that Dr. Yunus has won the 2006 Nobel Peace Prize.

Assuming five people per family, giving loans to 82 million of the world's poorest clients impacts 410 million people. The Microcredit Summit Campaign defines "poorest" as those who are living on less than US\$1 per day. An estimated one billion people in the world fall into this category.

The Campaign began in 1997 when nearly 3,000 delegates from 137 countries met in Washington, D.C. and launched an ambitious nine-year campaign to reach 100 million of the world's poorest families with credit for self-employment and other financial and

business services by the end of 2005. Daley-Harris said that, while the goal of reaching 100 million poorest was not met by the end of 2005, the Campaign is on target to achieve the goal by the end of 2006. He noted that David Bornstein, author of *The Price of a Dream*, wrote that the progress of the Microcredit Summit Campaign "represents one of the few times that a major development promise is going to be fulfilled and remarkably close to schedule."

Alex Counts noted that research has shown that women are more faithful re-payers of loans, and are also more likely to use their profits to invest in the long-term educational and health needs of children. "The women are just better bets and the MFIs (microfinance institutions) target them explicitly," he said.

New goals for the Campaign to 2015 will be launched at the Halifax Summit (see box).

Alex Counts congratulated Daley-Harris and his Campaign team, noting that the report accomplishes several things. It frames the debate in the microfinance industry about how to maximize short and long-term social and poverty impacts while addressing the need for MFIs to be financially sustainable. It challenges practitioners, donor agencies and regulators to "think big about microfinance," and serves as a benchmark to ensure that the poorest of

the poor are reached. The campaign, said Counts, "serves as a model for other social movements that have not been as head-on..."

Both men noted that a major challenge in the microcredit movement has been to develop performance and measurement tools to ensure that the poorest of the poor are reached.

Counts noted that there are several challenges now to moving the microcredit movement forward. These include an ability to optimize technology in order to bring efficiency, transparency, security and income generating opportunities for the poor; to develop better and more standard social performance or poverty reduction measurement tools; to find more capital, in particular local capital, because for an MFI to have its liabilities in foreign currencies and its assets in local capital can represent a major risk; and finally, continued and growing regulatory support.

The Nobel Peace Prize will be presented to Dr. Yunus in Oslo, Norway on December 10th. Sam Daley-Harris said the awarding of this prestigious prize to Dr. Yunus has raised the profile of microcredit in the public's eyes like never before.

by: **SUE CALHOUN** and **JOSE LUIS MORENO**
Micronews.

AGENDA IN BRIEF:

SUNDAY NOV. 12

07:30 – 21:00

Registration

(on site)

09:30 – 11:30

Opening

Ceremony

11:30 – 13:30

Lunch on your

own

13:30 – 15:15

Plenary Session

15:15 – 16:00

Break

16:00 – 17:45

Workshops

(Eng/Fr/Sp)

CAMPAIGN GOALS FOR 2016

- Reach 175 million of the world's poorest families with credit for self-employment and other financial and business services. This will impact 875 million families.
- Ensure that 100 million of the world's poorest families rise above the dollar-a-day threshold, lifting 500 million people out of extreme poverty.

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BEST QUOTE OF THE DAY "Christopher Elias, the President of PATH, a Seattle-based global health NGO, was asked a few months ago to describe the single most important action that could dramatically improve global health. His answer, empower women. That's what we and our thousands of member institutions, around the world, are committed to doing."

– Sam Daley-Harris, Director, Microcredit Summit Campaign

MICROINTERVIEW

SAM DALEY-HARRIS

Director, Microcredit Summit Campaign

by Sue Coulhoun, MicroNews

"The goals are reaching 175 million of the world's poorest families with credit for self-employment and other financial services"

Why are we gathered here?

The most important objective of this Summit is launching Phase II of the Campaign with two new goals for 2015. The goals are reaching 175 million of the world's poorest families with credit for self-employment and other financial services, which would affect 875 million family members. The second goal, which I consider more important and more challenging, is to ensure that 100 million families rise above the US dollar-a-day threshold, lifting half a million people out of extreme poverty. Many other things will be accomplished at the Summit but launching those goals is central.

The second goal is more challenging because it's a question of impact. How

do you credibly measure whether families have risen above a dollar a day? On Monday morning, leaders from some of the largest MFIs will sign a document stating their commitment to working with the Campaign, to find and use credible methodologies to measure progress.

So really the focus of the Microcredit Summit is poverty outreach and reduction?

We also have a very key focus on building institutions that are financially strong. John Hatch, the founder of FINCA, said recently that no institution ever helped eradicate poverty by going bankrupt. The Summit will never reach its goals unless MFIs are financially sound so that's key to our work.

This is a grand and expensive Summit. What justifies this expense?

It's true that a lot of money could have been saved if we would have all stayed home and just e-mailed each other. The real question is, what is unique about this Summit and about the difference it will make? There are lots of very important meetings in this field every year but what is unique to the Microcredit Summit is that we set bold global goals, and we measure progress every year in the State of the Microcredit Summit Campaign Report. What is unique to this Summit is our work to overcome barriers to reaching these goals. We will know 10 years from now and in each year leading up to it – in quite measurable terms – the difference the Summit has made and



whether half a billion people have risen above the US dollar-a-day threshold.

MICROFINANCE TODAY

THE RIGHT OF FINANCIAL PATRIMONY

by Roxana Mercado Rodas
General Manager
CRECER BOLIVIA



The Money market has found, in microfinance, a highly profitable area. Lending to microfinance organizations that work with poor people is not only a safe business in terms of capital return. It also adds value to the

action, which generates survival activities as a means of diminishing poverty, even more so if financial services are integrated with support services in training, health and empowerment. The resource transfer chain is composed of three main parties: the people who own the money, the intermediaries, and the people who will receive the money. Synergies are noticeable in the success of microfinance activities that cover millions of users while sustaining the organizations.

It is undeniable that commercial activities must show results for the investors, operators and users. However, when it comes to profit off people with low income, the responsibility of the first two parties is higher. It is not only about quality, accessibility and

price; it is, above all, about who can really use the profit to strengthen the fight against poverty.

When money is a means for achieving goals, instead of a goal in itself, it is necessary to sincerely address the topic of profit destination. What has been suggested tends to emphasize the social and entrepreneurial responsibility. This is important progress in society's way of thinking. Nevertheless, the right of financial patrimony issue is not treated appropriately, being correctly understood as the user capability to demand returns that are tangible from activities that promote bigger and better global development.

Microfinance is expensive around the world and one of the causes is

that in the risk evaluation systems, in each stage of the service delivery chain, constant perception mistakes are made. This generates coverage margins that are related to this risk, which are absurd if compared to the delinquency levels in the industry.

If we share the objectives of increasing equality and achieving sustainable economical growth, we need to know that our clients are overcoming risk circumstances by maintaining their goods, health and dreams. The question is: How can we go deeper to look for equality with the instruments we have developed?

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LEND HELP. GIVE HOPE.
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Beatrice Kitaara is an Opportunity International microfinance client. She no longer worries each day whether her nine children will have enough to eat. With a small \$115 business loan from Opportunity International, Beatrice planted crops and purchased a cow. Selling produce and milk yields a steady income, which helps to feed her children and pay for their school fees.

Opportunity International provides small business loans, training and other financial services to people like Beatrice, who live in chronic poverty. It serves more than 810,000 clients in Africa, Asia, Eastern Europe and Latin America.



“Empowerment or a boost of confidence can’t be written off as a trivial side effect of microfinance. It is not trivial. Empowerment is at the center of human progress.”

Here are some highlights from the State of the Microcredit Summit Campaign Report, released in Washington, D.C. on November 1st.

For detailed statistics from the report, see page 4.

- “While not a panacea, microcredit is one of the most powerful tools to address global poverty, and it does so in a way that builds self-esteem in the individual and self-sufficiency in the institution providing the financial services. It works in synergy with other development interventions such as those that promote health, nutrition, democracy, and education and offers a hand up, not a hand out. Microcredit is an intervention capable of producing a quadruple bottom line. When executed effectively, it can 1) relieve suffering; 2) bring dignity; 3) become sustainable; and 4) inspire supporters.”
- The four core themes of the Campaign have been: 1) reaching the poorest; 2) reaching and empowering women; 3) building financially self-sufficient institutions; and 4) ensuring a positive measurable impact on the lives of clients and their families.
- The Microcredit Summit Campaign has made a unique contribution. It has set bold goals for microcredit; found ways to measure progress; and removed barriers to achieving these goals.
- The three areas where the Campaign has made its greatest contribution: 1) Assisting members in finding cost-effective ways to identify the very poor and to measure progress above the US\$1 a day threshold; 2) Demonstrating that an institution could both reach the very poor and become financially self-sufficient itself; 3) Helping MFIs ensure and enhance impact. “This has been a significant aspect of our learning agenda and we have a particular focus on cost-effectively integrating microfinance with health education.”
- Practitioners who were surveyed almost universally welcomed the entrance of global commercial banks into microfinance, seeing the potential for increased access to resources, innovative technology and productive offerings and recognition. They worried about currency risks, pushing MFIs away from the poor and poorest, unsound lending practices, and burdensome paperwork and regulation. Throughout, the key word was partnership.

MicroReport

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Meet us at the Microcredit Summit Exhibition, booth nr 4



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MICROSTATISTICS

2006 State of the Microcredit Summit Campaign Report – Statistics

- As of December 31, 2005, 3,133 microcredit institutions reached 113,261,390 clients, 81,949,036 of whom were among the poorest when they took their first loan.
- “Poorest” is defined as those who are in the bottom half of those living below their nation’s poverty line or any of the more than one billion people who live on less than US\$1 per day.
- Of these poorest clients, 84.2 percent or 68,993,027 were women.
- Assuming five people per family, the 81.9 million poorest clients reached by the end of 2005 impacted some 410 million family members.
- This year, the Campaign was able to verify data from 420 institutions, representing 78 percent of the total poorest families reported.
- 847 of the 3,133 microcredit institutions submitted an Institutional Action Plan in 2006. Together, these 847 institutions account for 88 percent of the poorest clients reported.
- In order to reach 100 million of the world’s poorest families by the end of 2005, the Campaign required a 38.1 percent growth rate per year from its starting point of 7.6 million poorest families at the end of 1997. The Campaign’s overall growth was 978 percent between 1997 and 2005, an average growth of 34 percent per year.

Campaign progress since 1997

Year	Total number of clients reached	Number of poorest clients reported	Poorest clients as percentage of total clients
1997	13,478,797	7,600,000	56%
1998	20,938,899	12,221,918	58%
1999	23,555,689	13,779,872	58%
2000	30,681,107	19,327,451	63%
2001	54,932,235	26,878,332	49%
2002	67,606,080	41,594,778	62%
2003	80,868,343	54,785,433	68%
2004	92,270,289	66,614,871	72%
2005	113,261,390	81,949,036	72%

Source: 2006 State of the Microcredit Summit Campaign Report

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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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