

PLANET FINANCE

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The Microfinance Platform



Brief Report on Microfinance's Present State in the World

Summarized, carried out and
published with the kind
authorization of:



13 rue Dieumegard 93 400 Saint-Ouen Paris - France
Tel 33 (0) 1 49 21 26 26 Fax 33 (0) 1 49 21 26 27

Email contact@planetfinance.org

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I. General Summary

As we enter 2005, the « International Year of Microcredit », declared by the United Nations, the Microcredit Summit Campaign, an American Non-Governmental Organization publishes a report on microfinance's evolution in the world. **PlaNNet Finance proposes a synthesis of the main results illustrated on this report.**

I.1 Objectives

Today, 1.2 billion people in the world live on less than one dollar a day adjusted for Purchasing Power Parity (PPP) and another billion live below the poverty line of 2 dollars. Even more, 80% of human beings don't have access to credit. These figures don't seem to improve since according to The World Bank, half of the population will live with 2 dollars a day by 2050. We estimate that among these people, between 500 and 600 million people could be reached by microcredit.

IN 1997, THE MICROCREDIT SUMMIT CAMPAIGN WAS « TO ALLOW 100 MILLION OF THE WORLD'S POOREST FAMILIES TO HAVE ACCESS TO MICROCREDIT AND TO OTHER FINANCIAL SERVICES AS WELL AS HELPING THEM TO DEVELOP SUSTAINABLE INSTITUTIONS BY THE YEAR 2005. » LES PLUS PAUVRES SONT DEFINIS COMME ETANT LES 1,2 MILLIARDS DE GENS QUI VIVENT AVEC MOINS D'1 USD PAR JOUR AJUSTE A LA PARITE DU POUVOIR D'ACHAT (PPA).

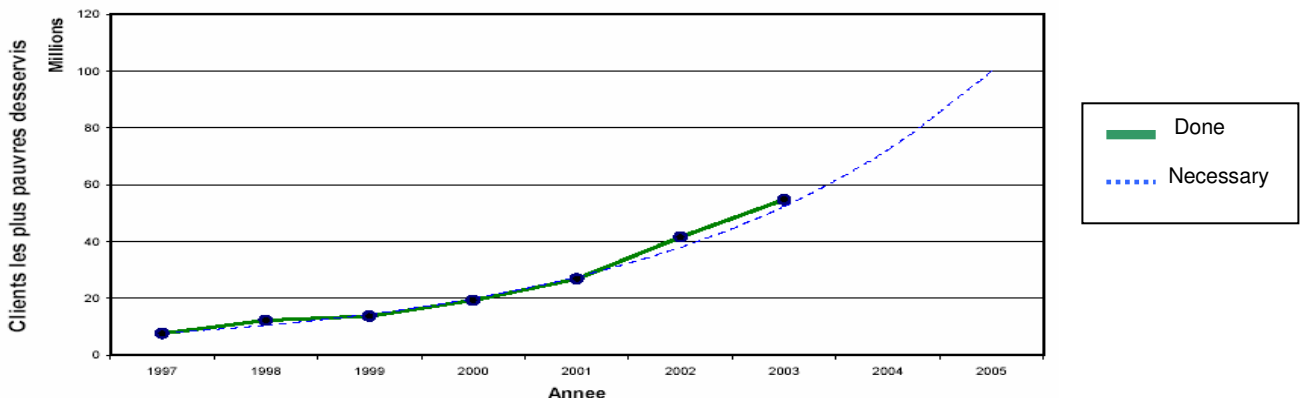
This goal brings hope, which is necessary to reach the Millennium Development Goals (MDG). Microfinance can in fact bring a strong support to the accomplishment of the MDG, aiming at reducing the number of families living with less than 1 USD a day in half by 2015.

I.2 Acces to microfinance in the world

Nowadays, more than 80 million people benefit from Microloans. Among them, 54.8 million people are among the poorest.

These figures show that the goal is on the way of being reached with a borrowers' annual growth rate exceeding 38%. The following figure analyzes the growth curve in terms of the poorest clients which benefit from Microloans since 1997 compared to the necessary growth to reach 100 million of the poorest clients by 2005.

TODAY, ALMOST **54.8 MILLION PEOPLE AMONG THE POOREST CLIENTS HAVE BENEFITED FROM MICROCREDIT**. THESE 54,8 MILLION PEOPLE AND THE 274 MILLION MEMBERS OF THEIR FAMILIES ARE EQUAL TO THE COMBINED POPULATIONS OF THE UNITED KINGDOM, FRANCE, GERMANY, ITALY, IRELAND AND SWEDEN.



II. The Microcredit Campaign

Every year, the Microcredit Summit Campaign collects and verifies the data supplied by the Microfinance Institutions (MFI). The total number of active clients are reported by the MFIs (with a current loan), the total number of active clients which were part of the poorest when they received their first loan, the percentage of the poorest clients who are women, etc.

This information is at the heart of the publication of the Report on the State of the Microcredit Summit Campaign which now represents since 7 years ago the most complete data collect available on MFIs.

The Report 2004 presents the data by December 31st, 2003.

II.1 Clients who have access to Microcredit

Year	Number of programs having sent a report	Total number of clients having access to Microcredit
31/12/97	618 institutions	13 478 797
31/12/98	925 institutions	20 938 899
31/12/99	1 065 institutions	23 555 689
31/12/00	1 567 institutions	30 681 107
31/12/01	2 186 institutions	54 932 235
31/12/02	2 572 institutions	67 606 080
31/12/03	2931 institutions	80 868 343

BY DECEMBER 31ST. 2003, 2,931 MICROCREDIT INSTITUTIONS HAVE REPORTED THAT MORE THAN 80,8 MILLION CLIENTS HAD ACCESS TO MICROCREDIT.

II.2 Microcredit's Regional Data

AMONG THE 2,931 INSTITUTIONS HAVING SENT A REPORT, 919 ARE IN AFRICA, 1,603 IN ASIA, 261 IN LATIN AMERICA AND THE CARIBBEAN, 48 IN NORTH AMERICA, 70 IN EUROPE AND THE NEWLY INDEPENDENT STATES (NIS), AND 30 ARE IN THE MIDDLE EAST.

Region	Number of programs reporting	Number of current clients reported 2002	Number of current clients reported 2003
Africa	919	5 761 763	6 438 587
Asia	1 603	59 632 098	71 585 413
Latin America and the Caribbean	261	1 942 055	2 519 299
Developing World Totals	2 813	67 418 963	80 649 763
Others	118	187 117	218 580
Global totals	2 931	67 606 080	80 868 343

III. Access to Microcredit by the poorest

III.1 Microcredit's growth for the poorest

Among the 80.8 million Microcredit clients reported, 54.8 million were part of the poorest when they subscribed to their first loan. Furthermore, 89% of the poorest families reported are in Asia, a continent which shelters over 67% of the amount of people in the world living with less than 1 USD a day.

Year	Total number of clients having access to Microcredit	Number of « poorest clients » reported
31/12/97	13 478 797	7 600 000
31/12/98	20 938 899	12 221 918
31/12/99	23 555 689	13 779 872
31/12/00	30 681 107	19 327 451
31/12/01	54 932 235	26 878 332
31/12/02	67 606 080	41 594 778
31/12/03	80 868 343	54 785 433

The growth of 41.6 million of the poorest clients by the end of 2002 to 54.8 million by the end of 2003 is just above a growth rate of 32% during the current year. The growth between 1997 and 2003 represents an increase of 621%.

IN ORDER TO SERVE 100 MILLION OF THE POOREST CLIENTS BY 2005, AN ANNUAL GROWTH RATE OF 38% IS NECESSARY.

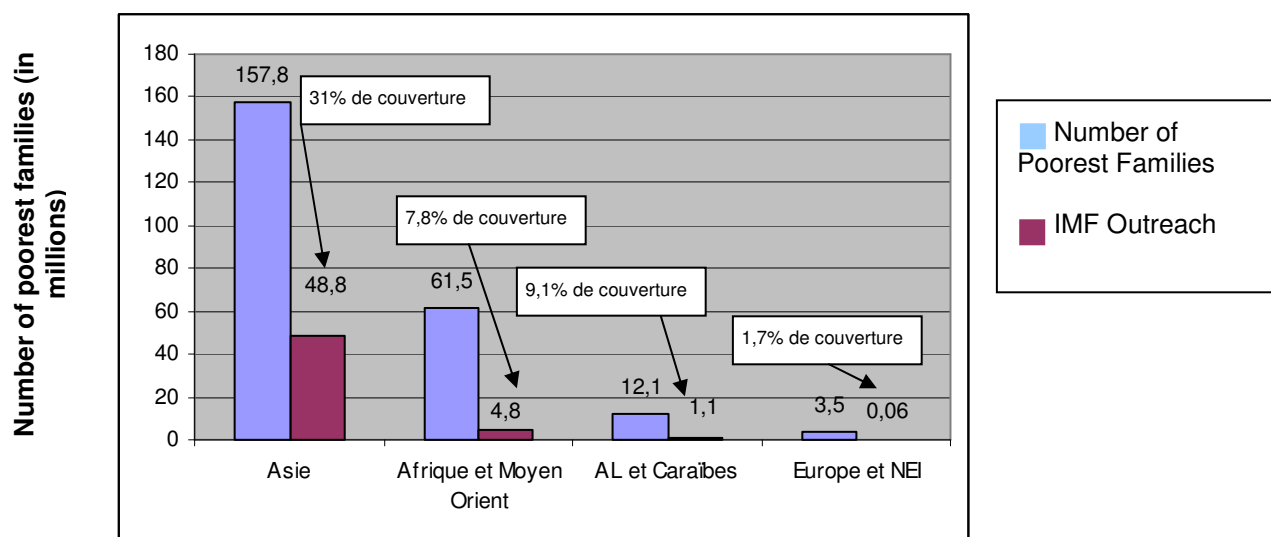
III.2 Microfinance and the poorest women

The number of very poor women having access to Microcredit has passed from 10.3 million in 1999 to 45.2 million by December 31st 2003. This represents an augmentation of 339%, that is to say 34.9 million more women who receive Microloans during the last four years.

AMONG THE 54.8 MILLION POOREST CLIENTS, 82.5% ARE WOMEN, WHICH REPRESENTS 45.2 MILLION CLIENTS.

III.3 Access to Microfinance's Regional Distribution

Figure 2 shows the relationship between the number of families living in absolute poverty in each region (that is to say those living under 1 dollar a day adjusted for PPP) and the number of poorest families reported reached in each region at the end of 2003.



IV. Future challenges

IV.1 A Switch in International Development

In order that 100 million people among the poorest have access to Microcredit by 2005, it is necessary that actors of international development¹ target particularly the poorest in the allocation of funds assigned to Microfinance. According to the Microcredit Campaign Report, the resistance comes from big development institutions, such as the World Bank, development regional banks and the United Nations Program for the Development (PNUD) who, recognizing the usefulness of Microcredit, don't particularly finance people living on less than 1USD.

WHILE THE WORLD BANK
DECLARES MICROFINANCE AS A
STRATEGIC ELEMENT IN
REDUCING POVERTY, TODAY
MICROCREDIT CONSTITUTES
LESS THAN 1% OF ANNUAL BANK
SPENDING.

IV.2 Poverty Measurement Tools

However, in the United States, a law promulgated in June 2003 asks the United States Agency for the International Development (USAID) to develop and certify at least two **cost-effective poverty measurement tools allowing to estimate if someone is below the poverty line defined at 1 USD a day**. The new tools should replace the credit size which is, at present, the poverty measurement tool, and which is inadequate.

After the certification of these new tools, the institutions receiving financing related to USAID microenterprises should use one of these tools and make a report on the number of clients who join their program and that are living initially with just 1 USD a day. This new law, especially if it is adopted by other donor countries and institutions, could have an important impact on the Microcredit Summit mission aiming at serving the poorest and this would bring an enormous support for the accomplishment of the Millennium Development Goal, which looks forward to reducing by half the number of families living with less than 1 USD a day by 2015.

¹ When we refer to international development, we mean the policies and practices of financial backers and Governments receiving foreign aide.

V. PlaNet Finance's role

V.1 Activities Reinforcing MFIs

PlaNet Finance supports microfinance institutions and accelerates their growth by **federating them and by providing them with services which will allow them to reinforce their technical capacities and their financial resources**. PlaNet Finance works with the private sector (**banks, financial institutions, international organizations and governments**) to accelerate the permanence of the microfinance sector.

PlaNet Finance supports the development of microfinance through several activities which reinforce the whole sector, governments and political leaders or directly the Microfinance Institutions.

PLANET FINANCE'S ACTIVITIES AIMING AT DEVELOPING THE MICROFINANCE SECTOR :

- **Microfinance Network's Support** to encourage the access to their members' services
- **Microfinance Portals** in order to increase the sharing of information and the sector's visibility
- **Creation of Central Risks Units** to minimize clients' excessive debt
- **Regional Impact Measurement** to estimate the impact of Microfinance in fighting poverty
- **Creation of Microfinance Training and Resource Centres** at regional and national levels
- **Consultancy to the Private Sector** (financial institutions, etc.)
- **Consultancy to Governments** to develop a performing Microfinance sector

PLANET FINANCE'S ACTIVITIES AIMING AT DEVELOPING MICROFINANCE INSTITUTIONS:

- **Technical Support:** donation of data processing material, computer courses, web sites and Internet portals conception, as well as consultancy services on information system management.
- **Capacities' Training and Reinforcement:** on line courses via a platform of remote education, PlaNet University, training fieldwork seminars and continuing education programs.
- **Evaluation & Rating:** evaluation of Microfinance Institutions' performance, rating for investors and banks, promotion of transparency standards by Planet Rating, PlaNet Finance's autonomous rating agency.
- **Financing:** PlaNet Finance's Credit Rotary Fund (CRF) grants loans to young microfinance institutions with strong potential in order to help them consolidate their financial means and to raise more funds.

In six years, PlaNet Finance has therefore supported more than 815 Microfinance Institutions and 457 752 euros have been spent to finance MFIs. Furthermore, 209 MFIs have been equipped with computers, 102 rating missions, 44 diagnostic missions and 26 impact and market missions have been done.

PlaNet Finance, based in Paris, takes action in more than 60 countries with an international network of affiliated organizations in Europe (United Kingdom, Italy, Spain, Belgium, Portugal), in the United States, in Latin America (Mexico and Brazil), in Asia (India and China) and in Africa (Morocco, Senegal and Benin).

Its **network constitutes a strong base**, which will allow the development of the sector in other countries.



V.2 PlaNet Finance's Members

In order to support all the actors of microfinance spread around the world, PlaNet Finance has created a platform, an international Microfinance network that develops communication and encourages the sharing of successful experiences between its members, breaking with their isolation on the field and facilitating local exchanges among members of a same region. Another ambition of this platform is to allow PlaNet Finance to improve and to adapt always better its services to the needs of these MFIs.

The platform's stake is to make those members of MFIs real partners of PlaNet Finance :

- By integrating them to the organization's operation
- By offering them a privileged access to different services provided by PlaNet Finance
- By informing them regularly with news on the Microfinance expanding sector.

TODAY, THE PLATFORM INCLUDES 248 MEMBERS - 245 IMFs AND 3 NETWORKS – DISTRIBUTED IN 41 COUNTRIES. IT REACHES MORE THAN 3 174 000 MEN AND WOMEN AMONG THE POOREST, WHO HAVE THEREBY ACCESS TO MICROCREDIT TO CREATE THEIR OWN WORK, INCREASE THEIR FINANCIAL AUTONOMY AND CONTRIBUTE OVERALL TO THE IMPROVEMENT OF THEIR LIFE CONDITION AS WELL AS THEIR FAMILIES'.

The platform addresses to two types of members: on one hand MFIs (credit and savings cooperatives, villager banks, mutuality organizations, Non Governmental Organizations (NGO) having a Microfinance section, banks or societies having a Microfinance activity,...), and on the other hand the MFI's network.

V.3 Private Sector and International Community's Mobilization

PlaNet Finance fights poverty all around the world with the help and support of several private partners, who join forces with PlaNet Finance's action through different programs. In this sense, among its partners, we find Orange France, Sanofi-Aventis, Cap Gemini, Ernst & Young... who have been renewing their partnerships for several years.

Each partner participates to poverty fighting according to their characteristics and expertise. Cap Gemini and Microsoft contribute for example to reinforce Microfinance Institutions' efficiency throughout the world, by giving them access to new information technologies (donation of material, collaborators availability...).

SANOFI-AVENTIS, THANKS TO A FINANCIAL SUPPORT, ALLOWS PLANET FINANCE TO OPERATE PROGRAMS ASSOCIATING MICROFINANCE AND HEALTH, SPECIALLY MALARIA AND AIDS PREVENTION PROGRAMS ADDRESSED TO MICROENTREPRENEURS IN WEST AFRICA.

PlaNet Finance benefits also from the mobilization of the international community. Thus, PlaNet Finance's Honour Committee is co-presided by Abdou Diouf and Mohamed Yunus and the French-speaking International Organisation is in direct relationship with PlaNet Finance.

PlaNet Finance's actions and its conviction about Microcredit's efficiency in fighting poverty together with a growing commitment of the international community towards Microcredit. In this sense, the United Nations General Assembly has declared 2005 as the « Microcredit International Year ». In addition, France becomes one of the most engaged countries when being with big international authorities. Even more, the French President has officially committed himself in favour of Microfinance during the last G8 meeting at Sea Islands, after which the "Groupe Consultatif de la Microfinance" has been created by the CGAP. The 10th French-speaking Summit at Ouagadougou, during which Microcredit has had a central place, has resulted in the creation of a loan facility of 20 million euros for Microcredit in French-speaking countries.

PlaNet Finance, empowered by its several mobilizations, continues to support the Microfinance sector in the world, with a growing conviction and efficiency.