



I T A L I A

**PLANET FINANCE**

[www.planetfinance.org](http://www.planetfinance.org)

The Microfinance Platform

**Second Global Meeting of the Mountain  
Partnership**

**Cusco, Peru 28-29 October 2004**

**Roundtable Session  
“Microfinance for Mountain Communities”**

**29/10/2004**



## Introduction

- I. Microfinance: definition and features
- II. PlaNet Finance: mission and activities

## Microfinance and Mountains

- I. Lessons learned
- II. Challenges
- III. Opportunities
- IV. Your contribution





## **Introduction**

# **I. Microfinance: definition and features**

- 1. What is it?**
- 2. How does it work?**



## What is it?

### Definition

- Microfinance is a set of innovative and alternative financial services crafted for the poor who do not have access to traditional/formal financial institutions
- Microfinance has proven to be one of the most efficient instruments to help create economic opportunities to the poor
- Microfinance services include: microcredit, microsavings, microinsurance
- Microcredit is about granting short term small loans to those who are excluded from the banking system, without traditional guarantees
- Microfinance Institutions (MFIs) deliver microfinance and non-financial services to the poor and the poorest worldwide, building an inclusive financial sector



## What is it?

### Numbers

- 2.8 billion people worldwide survive on less than 2 euros a day
- 55 million people are benefiting from microfinance services today
- 10 000 MFIs are delivering microfinance services in the world today
- 500 million people have the potential to benefit from microfinance services, by having the capacity to carry out a revenue-generating activity
- 70% of current microfinance beneficiaries are women



## How does it work?

### Lending methodologies

#### Grameen model

- Clients form Solidarity Groups of minimum 5 people: mutual assistance and lowering risk
- Regular meetings, usually on repayments days, with loan officers: problem solving and information exchange
- Small amounts: average of loan is US\$100, but it depends on context, loan cycle, activity
- Prevalence of women: money management skills, trickling of wealth effect

#### Village Banking model

- Beneficiaries form a “village bank” that involves 25-50 households, directed by the members themselves
- Village bank members elect four officials: director, secretary, cashier and accountant
- Obligatory savings is set at 20% of loan amount, enacted at time of delivery
- Regular meetings with entire membership: loan repayments, savings collection, information sharing and training
- Periodical training sessions, often paid by participants



## How does it work?

### Current challenges of the microfinance sector

- Financial sustainability
  - ✓ donor dependency
  - ✓ interest and reimbursement rates
  - ✓ risk containment
  - ✓ lending methodologies and operating costs
- Outreach
  - ✓ richest of the poor vs. poorest of the poor
  - ✓ impact measurement
- Re-financing
  - ✓ commercial investment in microfinance, investment funds
  - ✓ second-tier institutions
  - ✓ government/public funding
- Capacity building and adaptation issues
  - ✓ internal management
  - ✓ marketing
  - ✓ costs of training





## **Introduction**

# **II. PlaNet Finance: mission and activities**

- 1. Who we are**
- 2. What we do**
- 3. Examples of projects**



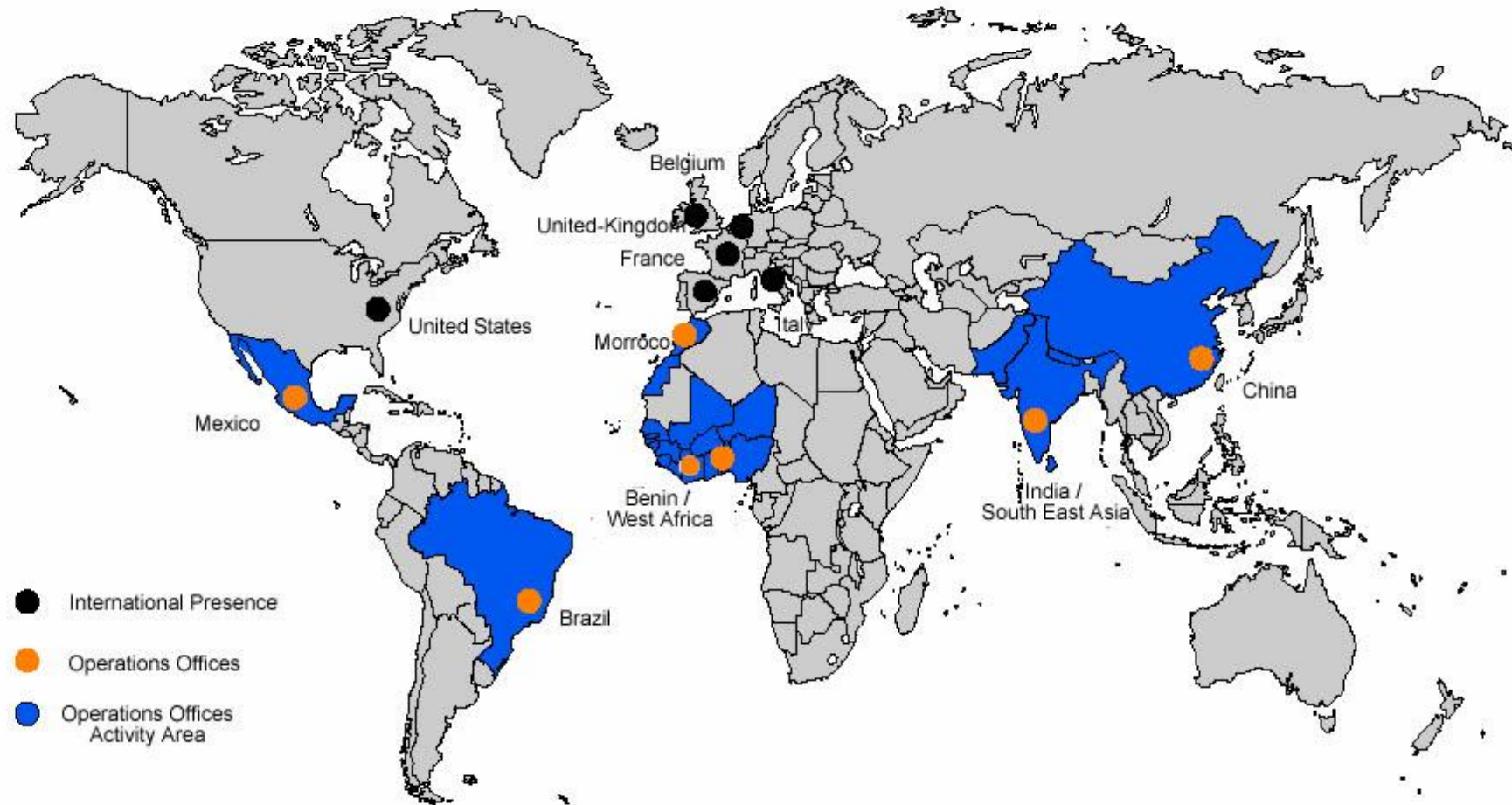


## Who we are

- PlaNet Finance is an **international non profit organization**, which aims to **alleviate poverty by contributing to the development of the microfinance sector**.
- PlaNet Finance's aim is to support the efforts of the sector by **federating Microfinance Institutions (MFIs)**, and **providing them with operational services** in terms of **capacity building** and **financing** to facilitate their growth. PlaNet Finance also works with **government** and **international agencies** to facilitate the creation of an efficient microfinance sector.
- PlaNet Finance, based in **Paris, France** has developed operations in more than **60 countries** and has established an international network of affiliated offices in **Europe** (United Kingdom, Italy, Spain, Belgium, Portugal), the **USA, Latin America** (Mexico and Brazil), **Asia** (India and China) and **Africa** (Morocco, Senegal and Benin).



## Who we are





## Who we are: public sector partners



**THE WORLD BANK GROUP**  
with  
Development  Marketplace *infoDev*



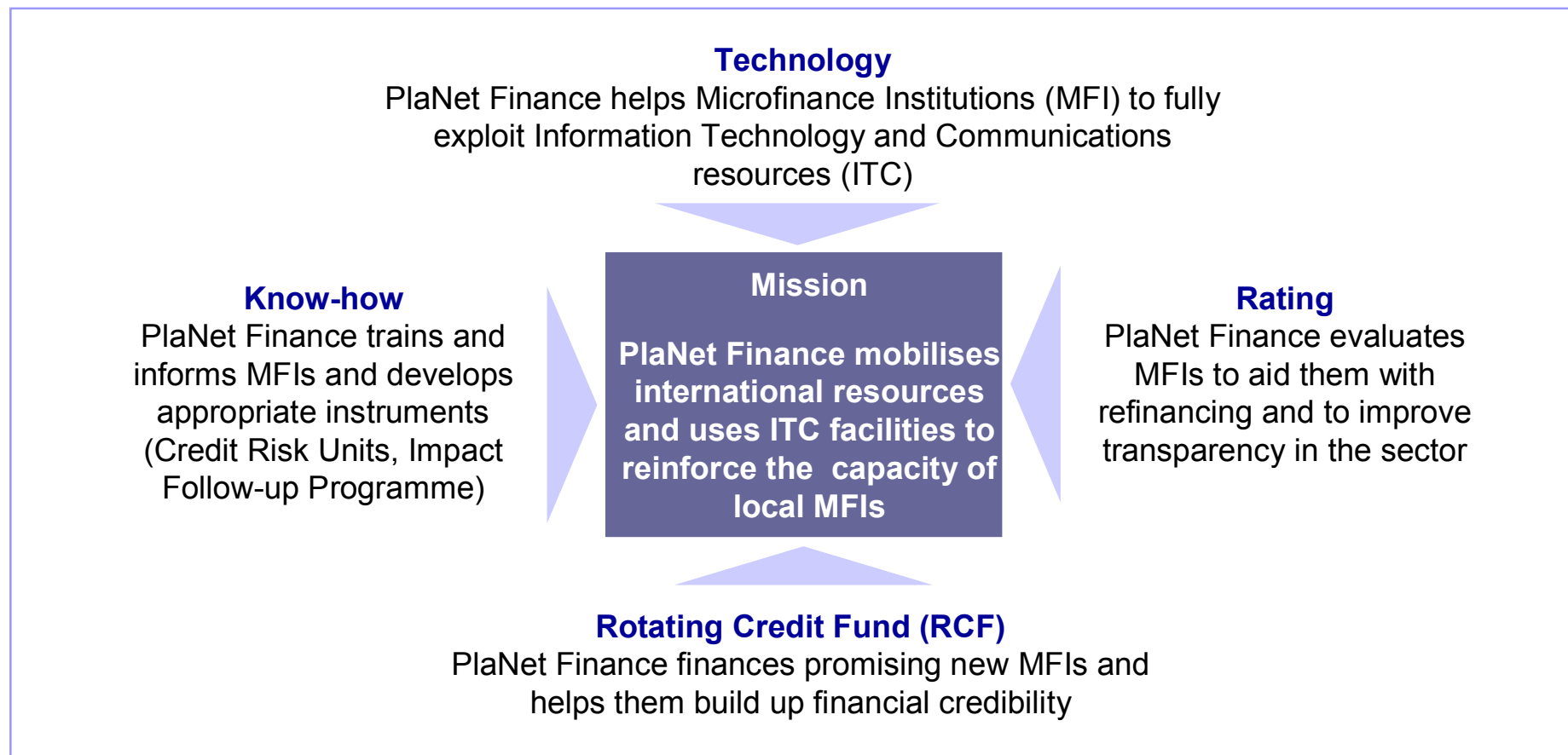
## Who we are: private sector partners







## What we do





## What we do: some numbers

### Know-how

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Number of MFIs referenced: **2,299**

Number of MFIs trained: **over 500**

Number of professionals trained: **1,698**

### Rating

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Number of MFIs evaluated : **61**

Financing disbursed after rating: **€ 2,150,000**

Individuals financed after rating: **3,630**

### Technology

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Total number of MFIs supported with IT: **89**

Number of MFIs equipped: **100**

Number of MFIs in the Ring: **228**

### Rotating Credit Fund

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Total disbursed financing: **€ 360,000**

Number of MFIs financed: **31**

Number of individuals financed: **over 15 000**



## Examples of projects

### PlaNet Finance Maroc: Microfinance in Rural areas



**Objective** provide microcredit to rural populations of Atlas region for revenue generating activities, integrating it with education program for children of microfinance clients

#### Communities served

Aït Iktel community (100km from Marrakech) - 140 households

Aït Lhaj Taher (30km from Essaouira) - 176 households

**Activities** financed by microcredit program

- Livestock
- Commerce
- Artisan production for tourist area of Essaiouira (baskets, hats, etc.)

#### Aït Iktel community

135 loans granted

227 000 DH total loans disbursed (~ 22 700 €)

#### Aït Lhaj Taher community

165 loans granted

165 000 DH total loans disbursed (~ 16 500 €)

#### Partners

BMCE Bank Foundation  
(community schools)  
Zakoura Foundation for  
Microcredit  
(microfinance services)







## Examples of projects

### roughIT: IT training at the doorstep

What is it?

A **mobile training unit** which travels from village to village directly interacting with everyone in the institution and with the beneficiaries in the **rural communities**, conducting **interactive training sessions**



Innovative features of roughIT  
**Low Costs**  
**Training @ Work**  
**Flexibility**  
**Wider Dissemination**  
**High Interactivity**  
**Impact Assessment**  
**Impact**

Equipment: **Two backpacks** containing 5 networked computer terminals  
 LCD Projector + Digital Camera + 10/100 Ethernet Switch +  
 Projection Screen + Network Cables + Webcam



Who does it?

**Two member training team** travelling from village to village conducting focussed tailored training sessions for **all employees** in each microfinance institution

#### Partners

Asi@ITC Program –  
 EuropeAID  
 Invicta



## **Microfinance and Mountains**

### **I. Lessons learned**

- 1. Good practices for implementation**
- 2. Working with private enterprise**
- 3. Information Technology for Sustainable Development**
- 4. Remittances**



## Good practices for implementation

### ▪ Full community participation and management of natural resources

#### **Participatory Environmental Management, CARE – Tanzania**

- ✓ Engaging the rural poor as partners in conservation.
- ✓ 12 communities and CBOs and local NGOs within and around South Nguru mountains.
- ✓ Participatory planning methodology development; livelihood interventions; institutional development; civil society strengthening; action research and learning; alliance building.
- ✓ Target: 1 000 poor households on highland areas.

### ▪ Simplicity and flexibility of project design and implementation

#### **Qinba Mountains Poverty Reduction, WB – China**

- ✓ upland agriculture (livestock, tree crop nurseries, staple crop production, terracing, agricultural technologies)
- ✓ off-farm employment (rural labor mobility, labor-intensive agro-processing and handicraft industries, microfinance program)
- ✓ social services and rural infrastructure (health clinics and primary schools, access to social services, infrastructure such as rural roads, safe drinking water supply system, etc.)
- ✓ institution building and independent monitoring, microfinance (cooperative creation utilizing GB methodology)
- ✓ Main cause for mixed results: complexity of project implementation and problems with institutional coordination (intertwining with government programs, government officials not always leaders, etc.)



## Good practices for implementation

- **Microcredit alone is not enough!**

- Capacity building of women cooperative, Centre for Microfinance – Nepal**

- ✓ Increase effectiveness and impact of savings and credit cooperatives in reducing poverty by combining financial services with social development initiatives (TOT program, best practices in delivering social services)
    - ✓ Why is microcredit not enough? Women don't have control of investment decisions; limited investment opportunities; other constraints such as literacy, poor health, social and political marginalization

- **Importance of macroeconomic environment** (savings collection permitted, charity donor necessary, etc.)

- **Contextualization and adaptation of financial and non-financial tools**

- (indigenous people and language, village leader mediator for Bangladesh program BRAC PROSHIKA Grameen, language with microfinance program in China, Yunnan province, empowerment necessary to avoid intrusion)





## Working with private enterprise

- **Intervention and collaboration with private enterprise**
  - **PlaNet Finance's associate and affiliate partners: private companies for microfinance development – they 'speak' microenterprise!**
  - **Peak Enterprise Program, The Mountain Institute – Tibet Autonomous Region, P.R. China**



- ✓ Collaboration with the Tibet Federation of Industry and Commerce
- ✓ Sector development and business initiatives building upon traditional livelihoods and Tibet's rich natural and cultural heritage
- ✓ Training, financial assistance and technical support services
- ✓ Areas: dairy / livestock; rural construction; eco-tourism sectors; small and medium-sized businesses and markets



## Information Technology for Sustainable Development

- **PlaNNet Finance and IT**
  - **Training: importance of information management in microfinance**
  - **Training: reduction of costs**
  - **Training: digital divide**
  - **Asi@ ITC Program**
  - **Microfinance Portals**
  - **Websites: importance of information sharing and marketing**



## Remittances

- **PlaNNet Finance and migrants issues**
  - Exploiting the potential of migrants' savings in countries of origin
  - Ensuring new services and new markets for MFIs
  - Exploiting the useful application of IT to banking transactions







## **Microfinance and Mountains**

### **II. Challenges**

- 1. Economic**
- 2. Political**
- 3. Environmental**



## Economic Challenges

- **Operation costs** (training and set up)
- **Donor dependency**
- **Outflow of resources** (need for mechanisms to capture revenues from natural resources exploitation for mountain communities)
- **Small markets/low diversification of activities**
- **Low access to technology**
- **Commercialization and marketing** (link with transportation and marginalization issues)



## Political Challenges

- Isolation and low-representation
- Border regions, arbitrary boundaries
- Regulatory framework for microfinance (law and policy)





## Environmental Challenges

- **Deep dependency on territory, risky environments**
- **Geographical distances** (transportation, roads and infrastructures)
- **Microfinance and Environment** (new theme, integrated approach but no lessons learned yet)
- **Low population density**





## **Microfinance and Mountains**

### **III. Opportunities**

- 1. Economic**
- 2. Political**
- 3. Environmental**
- 4. Social**





## Economic Opportunities

- Small scale production systems, micro-enterprise
- Private enterprise presence in benefiting from mountain resources (CSR)
- Low investment, high impact
- Tourism and traditional products as potential new areas for microfinance





## Political Opportunities

- **Gender politics favoring women enterprise**
- **Multi-lateral organizations, trans-boundary collaboration**
- **Microfinance regulatory framework improvements in mountain regions as models for plain regions** (starting point)
- **Replicable models due to commonalities of mountain communities** (transcending of North-South divide)





## Environmental Opportunities

- **Environment conservation activities as revenue-generating enterprises**
- **Microfinance integrated to Environment, best practices to set and replicate**
- **Low impact activities, small scale activities**





## **Social Opportunities**

- **Women enterprise and gender issues**
- **Self-help features of mountain communities as microfinance asset**
- **Solidarity and cooperative sense as positive factors for microfinance**
- **Self-reliant communities**



## **Microfinance and Mountains**

### **IV. Your contribution**

- 1. Lessons you have learned**
- 2. Collaborations experiences**
- 3. Innovative solutions**



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