

MICROFINANCE, NOW IMPORTANT FACTOR IN POVERTY ERADICATION, SHOULD BE EXPANDED,

SECRETARY-GENERAL TELLS GENEVA SYMPOSIUM

These are the remarks of UN Secretary-General Kofi Annan today at the opening of the Microfinance Symposium on investing private capital in micro and small business finance, which is taking place at the World Meteorological Organization office in Geneva:

It gives me great pleasure to join you for this symposium, which is an important contribution to the cause of poverty eradication. I thank all the businesses, entrepreneurs, organizations and other partners whose strong support has made it possible.

Microfinance is gaining general acceptance. A small loan, a savings account, an affordable way to send a pay cheque home, can make all the difference to a low-income family, or to a small-scale enterprise. With access to microfinance, people can earn more and better protect themselves against unexpected losses and setbacks. And with the ability to collateralize their assets, they can move beyond day-to-day survival, towards planning their future. That means they can invest in better nutrition, housing, health, and education for their children. They can create productive businesses, and recover quickly in the aftermath of natural disasters. In short, they can take real strides towards breaking the vicious cycle of poverty and vulnerability.

Of course, much more than microfinance is needed to eradicate poverty and hunger. Sound macroeconomic policy. Good governance. Strategies to develop rural areas and the industrial sector. And, of course, good regulatory systems that create the proper incentives for businesses. Investments in classrooms, clinics and human capital. These are among the essential elements in any national strategy for defeating poverty. International support is crucial: more and better aid; more debt relief; and a trade regime that is open, fair, and truly gives the poor a chance. Only with such a sustained global partnership will poor people have a proper chance to lift themselves out of poverty.

Microfinance has much to contribute to that effort. And let us also be clear: microfinance is not charity. In some cases, it might have started out as philanthropy. But today it is real business.

Microfinance is a way to extend the same rights and similar services to low-income households that are available to everyone else. It protects people against shocks, and allows the majority of the population to become part of a country's economic activity. It can help to build markets, and show that profits and principles can reinforce each other.

However, microfinance is not as widespread as it could or should be. The vast majority of people in the world do not have access to financial services. In many countries, the financial sector reaches only a small fraction of the population, with very few people having even something as basic as a bank account. There are great disparities in the availability of banks, ATMs and other services. Some countries have less than one bank branch per 100,000 people, while others enjoy as many as 50 or more.

Thankfully, this situation is changing. A new mindset is taking hold. Where once the poor were commonly seen as passive victims, microfinance recognizes that the poor people are remarkable reservoirs of energy and knowledge. And while the lack of financial services is a sign of poverty, today it is also understood as an untapped opportunity to create markets, bring people in from the margins and give them the tools with which to help themselves.

Governments, public and private financial institutions, private businesses and others are recognizing the value of microfinance for poor individuals and for small- and medium-sized enterprises. The World Bank and the International Monetary Fund have embraced it as part of their strategy for alleviating poverty. The United Nations is making this a key issue in implementing the Monterrey Consensus on Financing for Development. Last month's World Summit at the United Nations Headquarters reaffirmed the need for access to financial services for the poor. And, as you all know, the General Assembly has proclaimed this to be the International Year of Microcredit.

Our collective challenge is to sustain this momentum, and to meet the growing global demand for increased access to financial services. The International Year has served as an effective stimulus for action. More than 90 Governments have undertaken initiatives to observe the Year. A number of microfinance leaders, development banks, credit unions, postal and savings banks and commercial banks are lending their support, for which we are most grateful. More than 300 events have been held around the world at which financial experts have been raising awareness and sharing their knowledge

I believe microfinance offers another platform for private-public collaboration, and for interventions by private solidarity institutions such as non-profit organizations and cooperatives. Through such arrangements, poor people can gain new choices, and a chance to increase their wealth. Small- and medium-sized enterprises can build up their infrastructure and capacities. Societies benefit in their efforts to defeat hunger and achieve other development goals such as better nutrition, gender equity and education for children. And private businesses profit from access to new markets and, not least, the boon to their reputations that comes with offering services that have a positive social impact.

I hope such engagement will intensify. The potential is significant. It is estimated that many millions of people around the world have unmet needs for financial services. The challenge is to scale up without losing sight of the poorest and the most vulnerable members of our society. Microfinance has been a small and, at times, partially subsidized venture. Now, the possibilities for commercial involvement have increased. We need to transform it into a viable and truly developmental effort on a mass scale that reaches the people, businesses and microfinance institutions that need to be supported. I hope financial institutions will continue to show that they are true entrepreneurs, and invest robustly in this line of business.

Last month's World Summit in New York served as a real catalyst for development advances that we have been seeking for many years in key areas such as aid, debt relief and quick-impact projects. As we continue our efforts to achieve the Millennium Development Goals, microfinance can and must be part of that picture. Where people have a stake, a start, a piece of ownership, they are more likely to prosper. And where businesses are given a chance to develop, countries are more likely to flourish. I look forward to working with you to expand the reach of microfinance and, most importantly, to intensify our global struggle against poverty.

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