




what you can do to support the
International Year of **Microcredit** 2005

Get Involved!


Building Inclusive Financial Sectors to Achieve the Millennium Development Goals
www.yearofmicrocredit.org



United Nations



The International Year of Microcredit 2005 underscores the importance of microfinance as an integral part of our collective effort to meet the Millennium Development Goals. The challenge before us is to address the constraints that exclude people from full participation in the financial sector. The International Year of Microcredit offers a pivotal opportunity for the international community to engage in a shared commitment to meet this challenge. Together, we can and we must build inclusive financial sectors that help people improve their lives.



—United Nations Secretary-General Kofi Annan

Key Points

Member States, UN agencies and donors and microfinance partners, including the private sector and non-governmental organizations, are invited to build strategies and work together to achieve the objectives of the International Year of Microcredit. This document summarizes the organization, themes and objectives for the Year, in addition to ideas for suggested involvement.

- » The joint coordinators of the International Year of Microcredit are the UN Capital Development Fund (UNCDF) and the UN Department of Economic and Social Affairs (UNDESA).
- » UNCDF is hosting the secretariat for the Year.
- » Member States are establishing National Committees to plan and implement activities for the Year.
- » A diverse, committed Patrons Group for the Year is providing advice and suggestions to the Coordinating Committee.
- » The tagline of the Year, “Building inclusive financial sectors to achieve the Millennium Development Goals,” should be used to guide the themes of major conferences, events and meetings.
- » *Microfinance MATTERS*, an informative web-based newsletter, is available at www.uncdf.org/mfmatters.
- » Extensive, user-friendly resources on microcredit are available at www.yearofmicrocredit.org.
- » Microfinance clients, winners of the Global Microentrepreneurship Awards, will mark the formal launch of the Year on 18 November 2004 by opening stock exchanges around the world.
- » Citigroup, ING Group, UNCDF and the United Nations Foundation are the first core sponsors to fund the Year observance.

Strategy and Action Plan

The United Nations has declared the year 2005 to be the Year of Microcredit and has designated the UN Capital Development Fund (UNCDF) and the UN Department of Economic and Social Affairs (UNDESA) to jointly coordinate and prepare for the observance of the Year.

The mission of the Year is to promote and give momentum to sustainable microcredit and microfinance worldwide, highlight their contributions to the achievement of the Millennium Development Goals and build inclusive financial sectors that give people the tools to improve their lives.

The five key objectives for the Year are designed to unite Member States, UN agencies and microfinance partners in their shared interest to build sustainable and inclusive financial systems and achieve the Millennium Development Goals (MDGs). The objectives are to:

- 1) Assess and promote the contribution of microfinance to the MDGs;
- 2) Increase public awareness of microfinance as a vital part of the development equation;
- 3) Promote inclusive financial systems;
- 4) Support sustainable access; and
- 5) Encourage innovation and new partnerships.

The strategy for the Year seeks to build a network among Member States, donors and UN agencies, as well as the

broad scope of current and potential microfinance partners. The Coordinating Committee will act as a facilitator and broker, linking institutions on subjects of common interest and attracting new actors to achieve the Year's objectives.

The institutional arrangements include a joint UNCDF-UNDESA Coordinating Committee, served by a small secretariat hosted by UNCDF.

The Coordinating Committee is undertaking activities to achieve the objectives of the Year and to encourage, promote and lend support to National Committees and regional and international partners.

With input from advisors in the microfinance community, the Coordinating Committee will solicit proposals from, endorse and work closely with organizers of up to 25 major initiatives that are global in scope, wide in impact, and involving many stakeholders. Guidelines for proposals are posted on the Year website.

The Coordinating Committee is also grafting the theme of "building inclusive financial sectors" onto major conferences, events, action plans and institutional strategies.

The Coordinating Committee has established a diverse, high-level Patrons Group to provide advice and consultation during the Year. The core leaders will advise the Coordinating Committee on substantive issues and help establish a broad constituency for the Year among governments, UN agencies and donors, the private sector, academia, NGOs, direct microfinance providers and civil society.

Vision

The Year of Microcredit provides a significant opportunity to raise awareness about the importance of microfinance, and in particular microcredit, in the eradication of poverty, and to further enhance existing programmes that support sustainable, inclusive financial sectors around the world.

International, regional and national efforts that support microfinance are already contributing directly to achieving the Millennium Development Goals—in particular the goal of halving the number of people living in extreme poverty by 2015. Comprehensive impact studies of microfinance have demonstrated that

- 1) Microfinance helps poor households meet basic needs and protect against income fluctuations and other risks;
- 2) The use of financial services by low-income households is associated with improvements in household economic welfare and enterprise stability and growth;
- 3) By supporting women's economic participation, microfinance is important to women and improves household well-being; and
- 4) The magnitude of impact is positively related to the length of time that clients have had access to financial services.

Currently it is estimated that 1 billion poor and low-income people could benefit from financial services; however, with

only 10 per cent of this demand met, the sector still has a long way to go to fulfil its potential. The encouraging news is that many clients are currently being served, and their numbers have been growing by between 25 and 30 per cent annually over the past five years. Although the sector has grown and commercialized significantly during that period to manage rapid expansion, demand still far exceeds supply and capacity.

To guide the awareness-building activities of the Year and to ensure that the activities of the Year go beyond promotion to produce substantive outcomes, a central question must be addressed:

What can the global community do to dramatically increase financial service access and thus ensure that microcredit and microfinance effectively contribute to achieving the Millennium Development Goals?

The Year of Microcredit 2005 provides a unique platform for the international community to address this question, scale up efforts and build industry capacity to meet the underserved demand. The Year presents us with a platform to advance public-private partnerships that will promote inclusive financial systems, sustainable private sectors and self-determining communities. The Year offers a challenge to Member States, UN agencies and major microfinance partners to work together to promote the power of microfinance, change the lives of people living in poverty and contribute to the achievement of the Millennium Development Goals.

Member States, UN Agencies and Donors and Microfinance Partners: Suggested Involvement

The United Nations General Assembly resolution on the mandate for the Year [A/58/488] invites “Member States, relevant organizations of the United Nations system, non-governmental organizations, the private sector and civil society to collaborate in the preparation and observance of the Year and to raise public awareness and knowledge about microcredit and microfinance.”

The following are suggestions and ideas on how current and potential constituents can be involved in the Year. These suggestions are made to spark initiative and creativity and are by no means prescriptive, mandatory or comprehensive. All supporters of the Year are invited to use the logo for the Year, available on the website with guidelines for its use. Please visit the Year website at www.yearofmicrocredit.org for the full Year concept paper, updates on events and conferences, a library of resources, National Committee contacts, and other helpful information.

Member States

The Secretary-General in January 2004 invited all Member States to establish National Committees or focal points to promote activities related to the preparation and observance of the Year. The formation and participation of strong National Committees are central to the success of the Year. A wide national constituency for microfinance should be represented in the composition of National Committees and in the planning and observances for the Year. The Committees should engage and include a broad range of actors, including: local governments, Central Banks, UN Country Teams, private sector leaders, the NGO community and microfinance clients. Committees are encouraged to develop inclusive strategies and implement a diverse set of activities. Committees may:

- » Host meetings, conferences and special events;
- » Establish National Committee websites and links to the official website of the Year;
- » Engage the private sector in initiatives that recognize the link between private sector development and microfinance;
- » Work on establishing microfinance supervision and regulation training and tools;
- » Explore the obstacles for rural and agricultural microfinance;
- » Set up education and school-based programmes;
- » Organize national awards for microentrepreneurs and innovative microfinance providers;
- » Establish systems for aggregating data and information on the national microfinance landscape;
- » Undertake a “made by microentrepreneur” programme;
- » Conduct a general promotional and public awareness programme;
- » Examine property rights and contract enforcement issues; and
- » Report on activities through the “submit an event” forms available on the International Year of Microcredit website.

UN Agencies and Donors

UN agencies and donors hold a pivotal position in the development of sustainable microfinance. Their contributions can significantly support the long-term impact of financial sector development. The Coordinating Committee encourages UN agencies and donors to work closely with the Consultative Group for the Poor (CGAP) and other donor consortiums that focus on building best practice standards and donor transparency. UN agencies and donors are invited to draft and post, on the official UN web-

site for the Year and on their own websites, short vision statements on their purpose and comparative advantage in supporting microfinance. In addition, UN agencies and donors may:

- » Research and explore the links between microfinance and the MDGs;
- » Provide financial and technical support and establish special funds for activities endorsed by the International Year of Microcredit 2005;
- » Harmonize reporting requirements for microfinance funding recipients;
- » Provide training and capacity building opportunities;
- » Partner with Member States and provide support to the strategies of the National Committees;
- » Establish working groups on cross-cutting themes such as rural microfinance, gender barriers, post-conflict issues and technology;
- » Devise and agree to donor best practices; and
- » Partner with the private sector to energize efforts and discuss barriers to microfinance.

Microfinance Partners

Microfinance partners are defined broadly to include microfinance providers, the private sector (financial and corporate), academia, civil society and NGOs – that is, all other parties focused on poverty alleviation and the objectives for the Year. Although microfinance partners will be principally engaged through National Committees, they are encouraged to undertake activities that can enhance the efforts to build inclusive financial sectors throughout the world.

Microfinance Providers and Their Clients

At the heart of the Year are the institutions that provide microfinance – commercial and state banks, credit unions, insurance companies, post-office savings banks, NGOs, cooperatives and so on – and most importantly, the millions of poor and low-income clients they serve. The expertise and experience built over the past three decades provide a powerful base for moving forward. It is the most sincere goal of the Coordinating Committee that the men and women to whom this Year is dedicated are placed at centre stage. The objectives of all constituents for the Year should focus on this effort. Providers and their clients may:

- » Host open houses;
- » Organize national awards for microentrepreneurs and innovative microfinance providers;
- » Establish “made by microentrepreneur” product labelling;

- » Conduct and document client research and success stories to post on the official UN website for the Year, as well as on the websites of National Committees and other institutions;
- » Organize partnerships with sales outlets and national airports to host “Year of Microcredit” kiosks to sell microentrepreneur products;
- » Participate in the Blue Book project (see the “highlights” section of www.yearofmicrocredit.org); and
- » Design creative initiatives to share expertise and build industry capacity at the client and institutional level.

Private Sector

The private sector and microfinance are inextricably linked. To highlight this relationship, activities will seek to involve private companies in building the expertise, technology, distribution and capacity of the microfinance sector. The private sector is encouraged to:

- » Participate in National Committees for the Year;
- » Organize training programmes and research and development initiatives;
- » Graft the theme of “Building inclusive financial sectors” onto major conferences, events and meetings;
- » Design new financial tools and distribution systems;
- » Disseminate information on the Year through corporate distribution systems;
- » Support microentrepreneurs by buying their products; and
- » Conduct research to better understand the critical links between access to microfinance and local private sector development.

Academia

Attention will be given to the next generation of microfinance practitioners. Students from leading universities from every part of the world are encouraged to engage their peers in an effort to learn more about the sector. The result of these initiatives will be an extensive network of schools undertaking a range of activities to promote microfinance to students and communities, with careful thought given as to how to reach and engage students and youth in developing countries. Currently fifteen International Year of Microcredit 2005 “Student Ambassadors” represent many leading graduate schools including: Harvard Business School, Stanford University, Columbia University (USA), Solvay Business School (Belgium), Roskilde University (Denmark), Audencia Nantes Graduate School of Business and Management (France) and Oxford University (United Kingdom). Students and universities are encouraged to join this group, and to:

- » Organize international exchange programmes;
- » Start microfinance clubs which will continue beyond the close of the Year;
- » Establish new curricula, research and lecture series;
- » Incorporate microfinance into annual undertakings such as social venture competitions;
- » Engage in the Year through writing and reporting on local and global microfinance initiatives; and
- » Launch focal point programmes where selected students are responsible for communicating the goals of microfinance to their schools and alumni through creative channels.

Civil Society and NGOs

Civil society and NGOs that provide social and advocacy services for microfinance clients and support the development of inclusive financial sectors have the potential to augment and deepen the work of the Year, given their close ties with local communities. They are encouraged to:

- » Engage with and support the work of the National Committees or Year focal points;
- » Strengthen existing networks and regional cooperation efforts to improve channels of communication among groups active in poverty alleviation;
- » Promote microbusinesses, local markets and other points of sale;
- » Organize or host field visits and media trips to microfinance institutions; and
- » Promote exchanges and open houses among microfinance institutions.

To find out more about the Year and how you or your organization can get involved, please visit www.yearofmicrocredit.org or contact:

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