

## **ASIA MICROFINANCE FORUM 2008**

Melia Hanoi Hotel, Hanoi, Vietnam ♦ 26-29 August 2008

In Association With:



# **Microfinance in the 21<sup>st</sup> Century ♦ Future Trends and Opportunities**

## **FUTURE OF MICROFINANCE IN ASIA Discussion Paper<sup>1</sup>**

### Introduction and purpose

The Banking with the Poor Network owes its origins to Asia-Pacific regional workshops on Banking with the Poor conducted in Manila (1991), Kuala Lumpur (1992) and Brisbane (1994) convened by The Foundation for Development Cooperation (FDC). Organisations represented at one or more of those meetings formed the nucleus of the Network. These and other organisations from nine South and Southeast Asian countries (i.e. Bangladesh, India, Indonesia, Malaysia, Nepal, Pakistan, Philippines, Sri Lanka and Thailand) attended an inaugural meeting convened by FDC in Singapore in July 1996. During this period, the BWTP Network produced several seminal reports which provided critical inputs to microfinance practitioners and regulators in the Asia-Pacific region: 'Banking with the Poor' in 1991, 'Best Practice of Banking with the Poor' in 1995 and 'Getting the Framework Right: Policy and Regulation for Microfinance in Asia' in 1998. These documents provided the framework for network policy and strategic direction by providing a wide-reaching overview of the microfinance industry in BWTP member countries throughout the 1990s.

The BWTP Network will use this Discussion Paper as the basis for developing a region-wide assessment of microfinance in the Asia-Pacific region. The resulting report will document the challenges and frontier issues for the region over the coming 10 years. It is expected that this document will reflect not only issues affecting the region, but take into consideration international trends seen from an Asian industry perspective. Comments on this paper will be sought from Asia Microfinance Forum 2008 attendees both during and after the Forum. The paper has also been given to presenters in Plenary 1 to inform their presentations.

The final publication will be fully informed by the proceedings and outcomes of the Asia Microfinance Forum 2008 and a wide range of microfinance stakeholder consultations. It will be disseminated via the regional networks, the BWTP Network website, and to all Forum participants toward the end of 2008.

This initial Discussion Paper provides a brief review of trends and themes within the microfinance sector, especially within the context of the Asia Pacific region. It has been drafted with the aim of serving as a basis for discussion about the key themes and topics of discussion at the Asia Microfinance Forum 2008 to be held in Hanoi, Vietnam from August 26 to 29, 2008, which are:

1. Financing and investment;
2. Savings and asset building;
3. Technology;
4. Microfinance networks; and
5. Microfinance and sustainable development

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<sup>1</sup> This paper was produced by Mélanie Aubé (FDC), with contributions from Bridget Centenera (Sigma Global / Microfinance consultant) and Jamie Bedson (FDC)

## ASIA MICROFINANCE FORUM 2008

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## 1. BACKGROUND

**Poverty alleviation** remains the crucial global development challenge among the various development initiatives proposed in the Millennium Development Goals. A recent report published by the United Nations states that approximately **641 million people are estimated to be living below the standard \$1 poverty line.**<sup>2</sup> **Inequalities, gender, education, debt crisis, food and hunger** are all issues that have not been remedied in the past two decades and will remain critical challenges in the future. With an estimated population of 1.9 billion people, the Asia Pacific region is home to 61 percent of the world's population.

**Poverty** has a **direct impact on access to education**, and today there are **125 million children who have never attended school. One in four adults** in the developing world – 872 million people- **is illiterate**, and the numbers are increasing.

The feminization of poverty is a growing phenomenon, as the majority of the poorest in the world's population are women. **Girls account for two thirds** of the children not enrolled in school. In Southern Asia alone, only 66 percent of women between the ages of 15 to 24 are literate as opposed to 82 percent of males.<sup>3</sup> **Children are the other most vulnerable group.** About one-sixth of the population of the world's developing nations, almost 800 million people, are malnourished. 200 million of these are children<sup>3</sup>. Moreover, the Asia-Pacific region accounts for around 65 percent of the world's underweight children.<sup>4</sup>

Global inequalities between countries as well as inequalities within countries are also growing fast. The rapid economic growth within Asia in the last decade has seen an increased level of disparity in incomes between the rich in urban areas and the poor in rural areas. In many countries the poorest 20 percent of the population have seen their share of national income drop steeply. Between 1990 and 2004 in South Asia it fell from 7.2 to 6.7 percent and in East Asia from 7.1 to 4.5 percent.<sup>5</sup>

### Microfinance as a Development Tool for Poverty Alleviation

Microfinance is hailed by many as an important tool for poverty alleviation. It can help low-income households meet their basic financial needs, better manage risks, and contribute to sustainable social and economic development. During the 1980 and 1990s, increased donor funding and effective delivery resulted in a rapid expansion of the sector globally. Most institutions providing financial services to the poor operate under a corporate mission that includes poverty reduction prompting donors, government agencies, funding institutions and private sector investors and commercial banks to allocate increasing amounts of funds to microfinance intervention. Currently, tens of millions of households are served by hundreds of thousands of microfinance providers, which include a combination of grassroots organisations, formal and semi-formal microfinance retailers, government agencies, donor programs, and development aid agencies. The growth rate of microfinance institutions is estimated at 25 to 30 percent annually over the past five years. The

<sup>2</sup> The Millennium Development Goals: Progress in Asia and the Pacific 2007. pp 4

<sup>3</sup> Bread for the World - Food and Agriculture Organization of the United Nations

<sup>4</sup> The Millennium Development Goals: Progress in Asia and the Pacific 2007. pp 8

<sup>5</sup> The Millennium Development Goals: Progress in Asia and the Pacific 2007. pp 20

## ASIA MICROFINANCE FORUM 2008

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recognition of microfinance as a critical poverty alleviation tool in the Millennium Development Goals 2020 Vision, helped by the 2006 Nobel Peace Prize being awarded to Mohammad Yunus and the Grameen Bank (Bangladesh), has brought renewed attention to microfinance as a successful development intervention.

Impact evaluations of microfinance programs reveal positive economic impact, including successful business start-up and expansion. Clients report profits, notable increases in average monthly revenue, job creation, and an increase in savings, as well as increased expenditures on education and food. However, there is insufficient data to support significant positive social impact of microfinance due to the limited evidence of impact on children's education, nutritional quality, land ownership, and impact on social dimensions (decision-making and rights) or multiplier effects of microfinance on community and society.

### The Road Forward

While many initiatives are being put forward to improve the aforementioned social problems, elegantly packaged within the UN's Millennium Development Goals, the fundamental global issue of poverty alleviation still remains.

*Have microfinance programs made a significant contribution to these efforts? And what are the prospects for further expansion and effectiveness of microfinance programs in the future?*

Given that there are mixed results in terms of the success of microfinance initiatives on economic and social development, there is an ongoing debate about the appropriateness and effectiveness of microfinance as a development intervention. More specifically on the way it is currently evolving, from grant aided and client-oriented development initiatives to a global, regulated and profit-oriented approach. This scenario which suggests a thin line between development strategy and profit motivation, raises the following questions for the primary stakeholders in the sector (i.e. practitioners, donors, government agencies, aid organisations and national governments, as well as the clients of microfinance institutions):

***Is the growth in microfinance due primarily to its opportunities as a business or as a means of combating poverty? Or is it because of both?***

## 2. FINANCING AND INVESTMENT

Access to commercial sources of finance provides an ever-increasing opportunity for the microfinance sector. However, growth in commercial investments into MFIs raises many questions. The key issues include:

- *How can investors and national microfinance networks and institutions receive the necessary information, know-how and tools to facilitate investments?*
- *Of the financing mechanisms available, which ones are providing the greatest benefits to MFIs and customers?*
- *How do MFIs maintain a poverty focus in this era of rapid commercialisation?*

## ASIA MICROFINANCE FORUM 2008

Melia Hanoi Hotel, Hanoi, Vietnam ♦ 26-29 August 2008

In Association With:



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## Maximising profits

The microfinance industry built its considerable foundations by selling itself as an effective contribution to poverty alleviation. Before MFI's were able to use their balance sheet to raise capital they were largely dependent on the benevolence of donors and development agencies, as well as their own scarce funds. Today however, to achieve further growth and sustainability it is argued that the industry must balance its social development origins in order to improve its ability to attract commercial capital. Economic wisdom has always been welcomed and encouraged in Microfinance, and it is generally accepted that microfinance programs should be priced at a level that sustainably covers the MFI's cost of services. However, recent examples have shown that some MFI's are setting interest rates at levels that not only cover the costs of services, but also generate returns on investment much higher than the formal commercial finance sector. Supporters of this practice claim that with the commercial application of business and additional financing, more and more capital will be made available to bring the benefits of microfinance to a larger number of the poor. And in many cases, this is done to attract significant amounts of profit-seeking investment that can augment the social investment capital that has been financing microfinance for many years. Alternatively however, Dr. Muhammad Yunus has led the other side of the argument stating that "Microfinance emerged as a struggle against loan sharks, so we don't want to see new loan sharks created in the name of Microfinance".<sup>6</sup>

- *What are the ethical concerns of earning profits and traditional forms of investment/return for MFIs in the Microfinance industry?*
- *How do we define profit in the microfinance industry? Is it simply wealth creation when there is intent to use profit as a means for reaching those in need?*
- *Should there be an ethical limit to profit taking in the microfinance industry?*
- *Should all MFI's be pro-poor over maximising profits and permanence overtime?*
- *What are the engines, or who are the agents that influence or promote profit taking in the industry?*

## Pricing transparency

The increasing returns earned by MFIs is questioning the integrity of interest rate pricing within the industry, and as a consequence is fuelling calls for the application of a "Truth and Lending Act" styled principle which would introduce the use of an APR (Annual Percentage Rate) calculation that is intended to help borrowers and funders understand and compare the real cost of loans<sup>7</sup>. The microfinance industry has never adopted a comparable standard of consumer protection and price disclosure. In response, MF Transparency, a US-based NGO which is to lead and facilitate a microfinance transparency initiative, was launched at the recent 2008 Microcredit Summit. The aim of MF Transparency is to "...facilitate the Microfinance industry's commitment to pricing transparency by enabling the free flow of information and educating stakeholders"<sup>8</sup>. It immediately gathered endorsements from leading MFI's, networks and individuals from the sector,

<sup>6</sup> Businessweek, 28 July 2008

<sup>7</sup> The **Truth in Lending Act** (TILA) of 1968 is a United States federal law designed to protect consumers in credit transactions by requiring clear disclosure of key terms of the lending arrangement and all costs. Wikipedia

<sup>8</sup> For further information, please visit [www.mftransparency.org](http://www.mftransparency.org)

## ASIA MICROFINANCE FORUM 2008

Melia Hanoi Hotel, Hanoi, Vietnam ♦ 26-29 August 2008

In Association With:



# Microfinance in the 21<sup>st</sup> Century ♦ Future Trends and Opportunities

including CGAP, the Microcredit Summit Campaign, and Grameen. Without this type of self-regulation in the industry, governments may be urged to respond by imposing interest rate ceilings. And, although competition has been expected to bring down interest rates, they have remained stubbornly high.

- *What principles are recommended for healthy and transparent pricing policies and practice?*
- *What informs current pricing practices in the sector globally? What are the trends in the Asia Pacific region? Is there a common pattern?*
- *What are the implications of stronger calls on pricing transparency to the industry?*
- *How has the state of regulatory frameworks with regards to deposit mobilisation affected pricing?*
- *How has access and cost of capital affected pricing?*
- *What is the role of Microfinance donors in influencing pricing transparency?*

### Quality vs. Profitability

It is often stated that “development costs money”. Hundreds of MFIs in Asia are faced with the dilemma of providing socially oriented but non-revenue generating services in order to support micro entrepreneurs beyond the basic provision of financial services (this is both a portfolio management strategy as well as a desire for greater development impact). But to do so, they must invest profits into these activities, subsidise them with high charges on revenue generating services, or attract grant funding. Without an understanding of the mission of MFIs vis-a-vis financial performance, it is argued that these MFIs face the risk of poor commercial evaluation. At the same time, competition may force MFIs to focus only on revenue generating financial services.

- *Can the pro-poor mission of MFIs and the quality of their products and services be maintained in the face of increasing commercialisation, the benefits of commercial capital, and the expectation on financial performance in the current market?*
- *Is there a difference emerging between social development and microfinance intermediation?*

To offer the other side of the argument - back in 2005 the Micro Banking Bulletin stated that, “Financial market integration is in fact the only conceivable way the (Microfinance) sector will meet the ambitious goal of providing significant numbers of the world’s poor with permanent financing services.”<sup>9</sup> Since then there has been increasing activity and scope with commercial financing for Microfinance operations. Many argue that this is the natural evolution of the market and that there is a good side of capitalism that will prove to be a win-win situation for investors and the poor alike. At the same time, this type of environment will force improved practices and professionalism in what was largely an “NGO culture”. Those that defend the good of capitalism within microfinance maintain that with care and consideration regarding its source of funding, MFIs can access or structure appropriate commercial capital supply for their purposes.

- *Is the era of purely commercial Microfinance inevitable? What is the impact of this on the landscape of the industry?*
- *How can MFIs best access and use commercial funding to fit their mission and strategic objectives?*

<sup>9</sup> The MicroBanking Bulletin: Special Edition on Financing. Edition 11. 2005

## ASIA MICROFINANCE FORUM 2008

Melia Hanoi Hotel, Hanoi, Vietnam ♦ 26-29 August 2008

In Association With:



# Microfinance in the 21<sup>st</sup> Century ♦ Future Trends and Opportunities

- *Is the current market environment, which is characterised by demand exceeding supply and little regulation regarding pricing, enabling profit-seeking?*

### 3. SAVINGS AND ASSET BUILDING

Savings has always been a fundamental part of developing societies, not necessarily in the form of money but in the form of physical assets, such as livestock, jewellery, hoarding coffee or rice. Reasons for savings vary considerably. In the short term, common needs may include emergency cash-flow, seasonality - in agricultural areas -, and business investment while in the longer term, needs often revolve around lifecycle expenditures, i.e. birth and death, education, celebrations, health, and support to elderly and family, which often times is through remittances.

According to a 2006 study by the Consultative Group to Assist the Poor, demand for savings accounts outstripped demand for loans by a six-to-one ratio; however, with upscale and technology trends, more MFIs are tending to switch over from saving (or personalised) to credit (or profit) oriented schemes.

- *While the demand for saving products exists, can MFIs surpass the traditional saving options and come up with a better cost-efficient structure?*
- *And if so, can they respond to the increasing demand whilst, maintaining high levels of quality as well as appropriately managing risk?*

#### Political economy and risk management

For generations people have used their own methods to save and build assets. Mobilising people towards new “intangible” methods may be a challenge, especially in secluded areas and for the elderly.

Child saving programs, financial literacy programs and communal models have shown good results in securing financial knowledge integration, social acceptance and trust building. However, these models all relate to the micro approach quickly being replaced by scale and financial inclusion for all, regardless of the imminent risks. Savings mobilisation definitely provides opportunities for MFIs but the effective resolution of regulatory, legal, capacity and cost constraints, both at the national and international levels, will create future challenges and become even more important to enhance safety of the poor’s saving products.

- *How can MFIs best balance the need for product customisation and outreach/global financial inclusion?*
- *And more importantly which should be the priority: financial inclusion or appropriate supportive political economy?*
- *But who is responsible for a financial architecture suitable for the poor?*

If large MFIs are aiming for scale and profit, maybe differentiation is part of the answer and small MFIs could focus on customisation and personalisation of products and long-term investment in people.

## ASIA MICROFINANCE FORUM 2008

Melia Hanoi Hotel, Hanoi, Vietnam ♦ 26-29 August 2008

In Association With:



# Microfinance in the 21<sup>st</sup> Century ♦ Future Trends and Opportunities

### Demand vs. Supply

The concepts of social acceptance and financial inclusion are meaningless if the supply of financial saving products remains smaller than the demand. In fact, designing good saving products is only one of the challenges facing MFIs. Adopting an appropriate regulatory environment that allows innovation; encouraging quality supervision and control measures; finding innovative ideas to reach rural areas (e.g. through bank branch extensions, such as local stores, cellular phones kiosks, post offices, mobile ATMs that travel to rural areas where the bank does not have a physical presence); staying competitive and cost-efficient and; raising the necessary capital to finance those initiatives, are crucial strategies to maintain, and increase supply.

- *How can MFIs respond to that increasing demand while respecting the necessity to provide well regulated products and efficient control?*

While Information and Communication Technology (ICT) may help improve efficiency, partnerships may be the solution to drive costs down while at the same time keeping tailored services and good delivery.

### Operational and financial sustainability

The capacity of the poor to accumulate savings and build assets is an integral part of poverty alleviation and sustainable economic development. Many microfinance movements now wonder whether small loans or savings is an effective way to alleviate poverty. While many borrowers use their loans for a multitude of purposes – not exclusively business related – some success stories show that some borrowers (individual or group members) will cleverly manage their loans to slowly phase out of the system and generate their own working capital from their savings and thus become financially independent.

- *Is financial and operational sustainability exclusively for financial institutions or can it be looked at from an individual's perspective?*
- *If innovative models are able to attain self-sufficiency, wouldn't that justify improving technical assistance to the poor to address some major challenges we face, such as reaching rural areas at lower costs, establishing regulations, financial inclusion, etc?*

## 4. TECHNOLOGY

New and improved technology is increasingly seen as a key strategy in augmenting financial inclusion in developing countries. Innovations such as smart card services, biometric technology and mobile phone banking are well established in some contexts. The future of e-banking will continue to see a roll-out of ICT-enabled systems with the aim of improving operational efficiencies and decreasing transaction costs. While technologies are bringing new opportunities and have so far addressed microfinance processes, such as credit methodologies and automated payment technologies, they also bring new challenges and questions:

- *Will technology marginalize the poorest even more?*

## ASIA MICROFINANCE FORUM 2008

Melia Hanoi Hotel, Hanoi, Vietnam ♦ 26-29 August 2008

In Association With:



# Microfinance in the 21<sup>st</sup> Century ♦ Future Trends and Opportunities

- *Will it help MFIs reach operational and financial sustainability?*
- *Will new technologies decrease transaction costs and help reach rural and more secluded areas?*
- *Will the concept of group lending fade away with the new automated technology generation and if so, will microfinance lose its essence?*

### Information systems vs. new delivery technologies

A critical point in the microfinance sector lies in the financial and operational sustainability of small MFIs. Regardless of the growth of the market, the majority of MFIs are still struggling with this concept. Among the major reasons for such poor performance are the MFIs' lack of access to recent technologies and the dependency on external funds. While only half of the microfinance institutions in the world have access to technology, those that do, use two types:

**Information systems** are used by some MFIs as a way to improve efficiency, track operations more accurately and follow the unavoidable wave of change. Information systems may help operational efficiency improvement, but the challenge here is selecting the right technology, at the right price, in order to get the most out of their investment. Unfortunately, there are many examples of large investments in ICT system yielding very poor results. Making a careful decision and selecting the appropriate system is paramount to having a successful outcome.

- *Can technology only be applied effectively by large-scale MFIs with strong IT departments, or can it be used successfully by smaller MFIs?*
- *Will rapid growth and technology improvement reaching the microfinance sector discard small MFIs that won't follow the ICT wave?*

**New delivery technologies:** Constantly evolving, new delivery technologies, like phone banking and microfinance hub concepts (such as those introduced by KIVA and IBM), may be seen as the solution to reaching rural areas at lower costs. However, in order to achieve this, not only technology and enormous capital availability are required, but appropriate skill sets, social acceptance, sufficient network coverage and an adequate regulatory system. Some good examples of partnerships between MFIs and NGOs have shown good results in improving efficiency when reaching communities and obtaining social acceptance.

- *Will new technologies decrease transaction costs and help reach rural areas by itself?*
- *Or would a combination of technologies and collaborations/partnerships (established between MFIs and local NGOs, commercial banks and local government) better address social acceptance, regulatory and costs issues?*

### Cost or people oriented approach

The concept of group lending not only represents most of the micro loans in Asia but has evolved to become an indispensable approach towards empowering people, especially women, providing them with a feeling of belonging to a group of people and to an institution. It has also lowered the risk of lending, addressing the issue of collateral with group solidarity and responsibility. With new technologies such as phone banking,

## ASIA MICROFINANCE FORUM 2008

Melia Hanoi Hotel, Hanoi, Vietnam ♦ 26-29 August 2008

In Association With:



# Microfinance in the 21<sup>st</sup> Century ♦ Future Trends and Opportunities

automated payment technologies and internet-based lending models; we have already noticed a shift of focus from group lending towards individual loans, which are more easily managed at a distance.

- *Will new technologies, such as Web 2.0 social tools, form “virtual” communities and successfully create a climate of trust and feeling of belonging?*
- *Regardless of technological advances, won't people always need the human presence provided by “physical” communities?*
- *Or, will new delivery technologies create two segments in the market: a cost-oriented approach and a personalised approach?*

## 5. MICROFINANCE NETWORKS

The commercialisation of microfinance has brought to the forefront the issues of institutional performance and capacity building, as well as the need for strong advocacy around regulatory issues. Networks can play an essential role in offering a wide range of services that promote a healthy microfinance sector.

The services offered by microfinance networks internationally include: information exchange and dissemination, development of best practices, research and measurement of impact and social performance, access to donors enhancement, microfinance industry promotion and dissemination, partnerships and linkages, practitioner education and training, peer learning and exchange, performance monitoring and benchmarking, market research and information dissemination, policy advocacy and legal reform as well as organisation of meeting and conferences.

- *Do networks play a vital role in addressing the challenges facing the microfinance industry in Asia?*
- *What should the focus of a regional network be? Is the importance of this role increased when taking into consideration that grant funding for the industry is in decline?*
- *How can networks add more value? Considering that networks are also often operating under financial constraints, what are the priority areas on which networks should be focusing?*
- *How can networks guarantee that they are providing services driven by member demand?*
- *Who should be a member of a network and how inclusive should network membership be?*

### Information and dissemination

Networks use a variety of means, these may include online to face-to-face meetings, to facilitate information sharing on the microfinance industry between peers, across sectors, and to the wider community. This dissemination of information may include best practices and standard setting, access to examples of innovation in the industry from amongst members and outside the region, and learning through peer exchange.

- *Where should network priorities lay?*
- *To what extent do networks reflect the beliefs of practitioners and MFIs in establishing best practices and standard setting?*

## ASIA MICROFINANCE FORUM 2008

Melia Hanoi Hotel, Hanoi, Vietnam ♦ 26-29 August 2008

In Association With:



# Microfinance in the 21<sup>st</sup> Century ♦ Future Trends and Opportunities

- *Does work of this kind add value to the microfinance industry in Asia?*

### Research and measurement of impact and social performance

Measuring impact has long been a challenge of the microfinance industry. Measuring social performance is considered by many a vital means to ensuring that an organisation's mission is being achieved. However, both of these are considered by many organisations as costly endeavours and rather difficult to implement.

- *Can networks add value by supporting MFIs wishing to emphasise social performance management?*
- *Should networks encourage benchmarking between MFIs on social performance management?*
- *Should networks receive funding to undertake this role?*

### Performance monitoring and benchmarking

Many networks collect, measure, and disseminate data on member institutions, in turn providing important comparative data for monitoring and benchmarking. Networks therefore have a role to play in encouraging transparency and openness of the industry.

- *Networks therefore allow the industry to self-regulate in terms of performance – should it continue to be a role for networks?*
- *Should networks receive government funding for undertaking this role? What would this serve?*
- *How would this help governments?*

### Partnerships and linkages

Networks, by their very nature provide a range of opportunities to members in terms of partnering to extend outreach and in increasing the range of services offered. At the same time, networks are in a good position to broker access to a range of institutions, from the traditional financial sector and non-traditional institutions, through donors and investors.

- *Should the role of networks be to facilitate access to funding for MFIs?*
- *How vital are linkages between MFIs and other microfinance organisations across countries and national industries?*

### Policy advocacy and legal reform

Networks, as representative organisations, can play a vital role in acting as a voice of both regional and national microfinance industries. Advocacy around regulatory issues is one of the most immediately identifiable roles of networks and has met with great success in several industries.

- *How can networks ensure that they are representative of their membership?*
- *To what extent can networks be more successful than large and influential MFIs?*
- *What issues should networks most focused on? On which of these can they be most effective?*

## ASIA MICROFINANCE FORUM 2008

Melia Hanoi Hotel, Hanoi, Vietnam ♦ 26-29 August 2008

In Association With:



# Microfinance in the 21<sup>st</sup> Century ♦ Future Trends and Opportunities

## 6. MICROFINANCE AND SUSTAINABLE DEVELOPMENT

The ever-increasing awareness of the effects of climate change has focused some debate on the issue of household and micro entrepreneurs' CO<sub>2</sub> emissions in the developing world. Microfinance can provide opportunity to create sustainable microenterprises through the financing of products such as renewable energy, environmentally sustainable sanitation and water systems, and ecotourism. Additionally, financing mechanisms such as green investment funds and carbon trading hold promise for both expanding the outreach of environmentally sustainable microfinance and enhancing the economic sustainability of MFIs.

### Micro-financing mechanisms and global renewable energy

Micro-financing mechanisms such as green investment funds and carbon trading, provide a new way of doing microfinance: by expanding the outreach of environmentally sustainable microfinance, encouraging private sector and investors to contribute to development, and enhancing the economic sustainability of MFIs.

- *What opportunities are present for the Microfinance industry and its beneficiaries with the variety of green investment funding available and the related growth in carbon trading?*

In 2007, the global carbon markets were valued at US \$40 billion. This was an 80% increase on the previous year. The Kyoto Protocol, through the Clean Development Mechanism (CDM) facilitates the development of emission reducing projects in developing countries under which carbon assets can be created. This mechanism "...is a critical link between developed and developing countries under Kyoto and is seen as a way for developing countries without an emission reduction target to reduce their emissions, attract foreign investment in projects [from predominantly developed countries, businesses and investors looking to reduce their carbon emissions and create carbon credits] and promote sustainable development."<sup>10</sup> Examples of these projects include renewable energy and methane capture from landfill, agriculture and coal mines. "Methane can be captured from chicken farms in India, landfills in Mexico, and coal mines in Thailand. Industrial gases can be destroyed at refrigerant and fertilizer plants in China. Carbon dioxide emissions can be avoided by building dams in Guatemala and wind farms in Mongolia. These are among the 4,000 clean development projects in the UN pipeline, and together they add up to real money".<sup>11</sup>

### Technology

Technology that allows for more sustainable and efficient use of natural resources is continually developing. Pursuing improved efficiency with regards to the use of energy not only protects the environment but can also benefit micro businesses and poor households. This is achieved with a reduction in costs and risks inherent in expensive, unsustainable and unreliable energy sources. For example, by eliminating the need for households to burn fossil fuels by providing technologies that use renewable biomass, wind, hydro or solar energy. Sustainable development seeks to find a workable balance between economic, ecological and

<sup>10</sup> "Global Carbon Markets Report", Sigma Global, 2007

<sup>11</sup> "Carbon Finance Comes of Age", Fortune, 17 April 2008

**ASIA MICROFINANCE FORUM 2008**

Melia Hanoi Hotel, Hanoi, Vietnam ♦ 26-29 August 2008

In Association With:



**Microfinance in the 21<sup>st</sup> Century ♦ Future Trends and Opportunities**

social factors. There are good examples of this practice across the globe, which if actively promoted, can help to improve knowledge regarding the benefits clean technologies can realise and how these technologies can be applied.

- *How can microfinance programs harness these innovations for the benefit of micro entrepreneurs – their businesses, their homes and their communities?*
- *Will renewable energy technologies help generate community-based business models which are self-sufficient? If so, will these assist the process of reaching rural areas at lower costs?*

Water and Sanitation

Microfinance is also increasingly being used to expand access to improved sources of water and sanitation. Often, water and sanitation are overlooked although they represent one of the crucial aspects of sustainable development, and are prerequisites for any other sort of economic development. Nevertheless, linking microfinance to increasing access to water and sanitation is often costly and organisations undertaking successful programs on this front are relatively rare.

- *Should microfinance organisations working to sustainably develop communities recognise water and sanitation as a prerequisite for economic development?*
- *Is this another distraction from microfinance's core mission?*