

জাতিসংঘ আন্তর্জাতিক ক্ষুদ্রঋণ বর্ষ ২০০৫
UN INTERNATIONAL YEAR OF MICROCREDIT 2005



বাংলাদেশ: ক্ষুদ্রঋণের অগ্রদূত

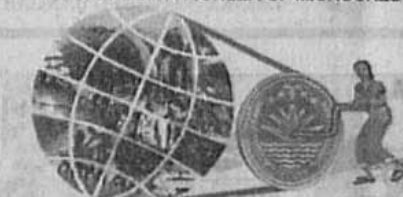
Inaugural Ceremony Observance of "UN International Year of Microcredit 2005"

15 January, 2005, Dhaka, Bangladesh

Venue : Bangladesh-China Friendship Conference Centre, Shere-e-Bangla Nagar, Dhaka

Organiser : National Committee for Observance of "UN International Year of Microcredit 2005"

UN INTERNATIONAL YEAR OF MICROCREDIT 2005
BANGLADESH: PIONEER OF MICROCREDIT



President
People's Republic of Bangladesh
Dhaka

Message

I congratulate the observance of "UN International Year of Microcredit 2005" in Bangladesh like other UN member countries.

Bangladesh is recognised as a model of microcredit activities in the world. Moreover, our multidimensional activities in the field of poverty alleviation through different microcredit programs have earned glorious fame. So we are proud of the achievement in this sector of microcredit activities and wish it will continue till the poverty is eradicated from our country. The continuous efforts of microcredit activities programs have earned positive impacts in poverty alleviation that resulted better livelihood of beneficiaries and improved socio-economic conditions along with positive contribution in the national economy of the country. From this point of view, the Millennium Development goal of halving the poverty by 2015 as declared by UNO, the Observance of the "UN Microcredit Year 2005" in Bangladesh through different programs and its implementation is very significant and meaningful.

I wish the total program a grand success.

Allah Hafez, Bangladesh Zindabad.

Professor Dr Iajuddin Ahmed



Minister
Ministry of Finance
and
Ministry of Planning
Government of the People's
Republic of Bangladesh

Message

It is appreciated that Bangladesh is going to observe 'UN International Year of Microcredit 2005' on 15th January, 2005.

It is now recognised worldwide that Bangladesh is the birthplace of microcredit and microfinance institutions. Perhaps no other development tool has attracted so much global attention in the history of poverty focused development than microfinance. UN Secretary General recently underscored the importance of microfinance as an integral part of development to meet the Millennium Development Goals, specially the overarching target of halving extreme poverty and hunger along with socio-economic development by 2015.

I am hopeful that microcredit activities for alleviation of poverty at an all dimensions have evolved revolution in eradication of poverty from our country & a remarkable socio-economic development including improved livelihood, employment opportunities and income generating activities is noticed within the poor of the country. I think that this sector should work more vigorously till the country becomes free of poverty.

I wish the programme a grand success.

(M. Saifur Rahman)



Managing Director

Message

Microcredit activity in the world has taken a shape of proactive movement for poverty alleviation. Microcredit has been helping the poor to enhance the productive capacity of the poor through provision of loan fund without any collateral. Now, there is hardly any developing country in the world, not involved in the promotion of microcredit program. About 70 million poor families of the world are covered by microcredit and we have many other challenges. A vast number of poor people are still deprived of this financial services. Besides this, the linkages among education, healthcare and socio-economic programs are essential to achieve more significant results of microcredit.

Considering the importance of these issues the UN has declared the year 2005 as "UN International Year of Microcredit". Throughout the world this year will be observed by all countries at the national and local levels. We are proud that Bangladesh is the pioneer of microcredit in the world. Bangladesh government has constituted a National Committee to observe this "Microcredit Year". This Committee has the responsibilities of co-ordination of national, district and upazila level programs throughout the year. The National Committee consists of high level representatives of different Ministries and non-government organisations. It is an ideal example of collaboration between the government and non-government organisations.

The support of our Government in the promotion of microcredit programs is very significant. We do hope that together, all of us can overcome the challenges of poverty alleviation and achieve the Millennium Development Goal of 'halving the hardcore poor' by 2015 in our country and set up another stellar example in the world.

(Dr. Salehuddin Ahmed)
Convener

Observance of "UN International Year of Microcredit 2005"
National Committee

PROMISING A BETTER FUTURE: UN INTERNATIONAL YEAR OF MICROCREDIT 2005

Md. Fazlul Kader
Deputy General Manager
PKSF

The success of microcredit in Bangladesh spurred a global movement of reaching the poorest with credit, savings and other financial services. Perhaps no other development tool has attracted so much global attention in the history of poverty-focused development efforts than microcredit. One might wonder at the diversity of the positive impacts of microcredit in alleviating poverty claimed by numerous independent research and studies. Microcredit has been recognized across the globe as a proven tool for eradicating poverty, the greatest global challenge facing us today. Now, there is scarcely a country having a significant portion of its population below poverty line and a development oriented donor agency (multilateral, bilateral and private) not involved in the promotion of microfinance program. It is expected that 100 million poorest families will be brought under microcredit coverage by the year 2005 benefiting directly about 500 million of the 1.1 billion poorest people of the world. The United Nations has underscored the importance of microcredit as an integral part of development community's efforts to meet the Millennium Development Goals (MDGs), specially the overarching target of halving extreme poverty and hunger by 2015 and declared 2005 as the UN International Year of Microcredit.

Adam Smith said, "Money, says the proverb, makes money. When you have got a little, it is often easy to get more. The great difficulty is to get that little" (The Wealth of Nations). Microcredit is all about providing this little amount of money to the people below poverty line. Based on this apparently simple idea, Bangladesh now has the most vibrant microcredit sector in the world that caters the financial needs of more than 10 million poor. Giving opportunity to save is an integral part of microcredit. Insurance is often packaged in the same offer of microcredit. In its wider dimension, microcredit is known as banking with the poor through specially designed programs having single focus on the poor. It aims at enabling the poor people to tap economic opportunities by utilizing their existing unutilized capacity for enhancing their income.

Bangladesh, a country with immense potential for development, has remained as a poor country for various socio-economic reasons. The challenge before Bangladesh is to make its various institutions poor-friendly. Microcredit emerged in Bangladesh due to the failure to provide effective and sustainable credit facilities to the poor by traditional financial institutions. Professor Muhammad Yunus first consolidated the key features of sustainable credit program for the poor through an experiment in Jobra village of Chittagong and replicated it through a government sponsored pilot project named "Grameen Bank project" in 1976, which eventually emerged as the world famous Grameen Bank under his leadership. However, the exponential boom in microcredit took place in Bangladesh during 1990s. During 1980s, in spite of Grameen bank's success, the main discourse amongst development practitioners in Bangladesh centered on the desirability of microcredit program as opposed to conscientization. By early 90's, unhindered experimentation in the field and creation of PKSF led to a quiet resolution of the debate and the country experienced almost an exponential growth of microcredit activities during this period. The number of microcredit borrowers grew from 0.2 million to 9 million during this decade.

During 1990s, PKSF, another unique institutional innovation in Bangladesh, emerged as an institution builder in the microcredit sector. Its operational strategy of financing of microcredit programs (MCP) on a continuous basis through soft loans and making institutional development interventions contributed very significantly towards building the NGO-MFI sector. The coverage of microcredit by NGO-MFI sector grew from less than 50 thousand borrowers to over 9 million borrowers during the last 15 years. Today, Bangladesh has some of the largest and best managed NGO-MFIs of the world that employ around 1 hundred thousand regular employees. Last year, BRAC alone covered about 4 million microcredit borrowers. ASA, one of the best managed NGO-MFI of the world, covered nearly 3 million borrowers during the same time. The outstanding number of borrowers of Grameen Bank stood close to 4 million. Bangladesh Rural Development Board (BRDB), Palli Daridra Bimochon Foundation, Department of Youth Development, Department of Social Services and other Government agencies including some NCBs covered about 3.2 million borrowers. A few private commercial Banks also got involved in microcredit activities directly and extended microcredit to more than 0.1 million borrowers.

Microcredit market in Bangladesh is dominated by a few organizations. Top 10 MFIs cover about 80% of the entire market. Nonetheless, the small-medium NGO-MFIs play a very important role in keeping the vibrancy and competitiveness of the sector. Some of them are emerging as large organizations. Though total number of microcredit borrowers of all the organizations appears to be little more than 15 million, this figure is exaggerated due to double counting occurred for overlapping of borrowers between MFIs. A recent survey made by PKSF reveals that the actual household coverage of microcredit might stand at 10 million as on June 2003. This implies that there is scope of further horizontal expansion of microcredit in regions relatively remote from growth points. However, further study is required to determine the extent of overlapping of microcredit in the country.

Credit Development Forum (CDF), a network institution of MFIs publishes some data on microcredit. According to the statistics of CDF, of the total fund disbursed by NGO-MFIs, trade and transport sector accounts for 45% followed by agricultural sector (30%). In the initial years of microcredit operation during eighties, the traditional sector including fisheries and poultry accounted for a larger segment of self-employment activities of the poor, which has shifted now to small business and trading sector. During the last few years, the structure of GDP in Bangladesh has also changed significantly. The contribution of agriculture to GDP declined from as much as 50% to just 24% while the share of service sector increased from 34% to 50%. The shift from agriculture to services may be partly attributed to the availability of microcredit to landless poor families for undertaking small trading, repair, and other service sector activities in both rural and urban areas.

Microcredit in Bangladesh is often criticized for not reaching the bottom 10% of the population. Recently PKSF with the assistance of Government has taken a big initiative to reach the extreme poor with credit services through its partner organizations. Government has provided PKSF Tk. 1000 million for this purpose. PKSF is about to complete its 'Financial Services for the Poorest' project aimed at designing a replicable credit program for the very poor. BRAC has also taken a specialized program for reaching the ultra poor. It has also been engaged in a PKSF sponsored large credit program for the hard-core poor that covered more than 1 million borrowers so far. ASA has started a special program targeting the extreme poor only. Grameen Bank has recently started a special credit program for beggars. It is envisaged that, a significant portion of extreme poor will be brought under these programs within a few years.

Microfinance sector has also started responding to the needs for enhanced loans by progressive microcredit borrowers. Some of the NGO-MFIs and commercial Banks have started including micro entrepreneurs in their programs who were being traditionally excluded by both formal sector financial institutions and NGO-MFIs.

Microcredit has significant positive impacts on income, asset acquisition and wage. It also has many encouraging social impacts. In Bangladesh, millions of women in the last 15 years have become more visible in economic activities. Microfinance programs make women come to the center meetings and that helps to build their confidence. Microfinance allows a woman to handle money; she becomes a financial manager. There are strong evidences that by participating in the microfinance programs, women have gained more power and freedom in the field of family planning, children's marriage, buying and selling of properties and sending daughters to school. One simple example from Grameen Bank is its housing loan; there is a precondition that to take housing loan, the land has to be transferred in the woman's name. A great positive change in empowering women has taken place through this system. There are some evidences that members are able to stop domestic violence due to their personal influence in income generation and through group action.

In Bangladesh, microcredit programs have also increased women's participation in the activities of local government. Some women microcredit clients have been elected as Chairpersons and Members of various Union Parishads, the lowest and most vibrant tier of local government.

Microcredit has helped poor people to come out of poverty line. Every year a sizeable portion of poor borrowers of Grameen Bank and NGO-MFIs come out from the poverty trap. Besides this, the graduated borrowers now have access to higher amount of loans for their growing microenterprises.

Microfinance sector has a number of challenges in future. The MFIs are to yet to innovate new financial products to cater the various financial needs of the targeted poor. They are to widen the target group by including more people from the bottom 10% of the population and tomorrow's poor. MFIs have to find new avenues to fund their expanding lending activities in a sustainable way. Arrangements are to be made to link MFIs with both the capital and money market. An enabling regulatory and supervision mechanism is to be devised and made effective for this purpose. The governance of NGOs has to attain corporate standard in this regard as governance and institutional sustainability are closely interrelated. The rate of service charge in the microcredit sector is considered to be high by various sections of society. As the MCPs of MFIs are scaling up, they will be required to lower rate of service charge without hampering overall financial sustainability of program so that microcredit borrowers get maximum benefit of MFIs increased cost effectiveness. All concerned including the government are aware of these challenges, which are achievable.

The microcredit sector of the country grew to this present stage in presence of a firm public policy adopted by the Government to promote microcredit sector over the last two decades, which was enabling as opposed to controlling in nature. As a result, Bangladesh can legitimately claim to have the finest microcredit sector of the world both in terms of outreach and sustainable MFIs. This supportive policy is expected to continue in future as well. We have no doubt that with concerted efforts of the government, MFIs, development agencies and above all the people of the Bangladesh, the Millennium Development Goals (MDGs) of halving extreme poverty and hunger by 2015 can be achieved.



Prime Minister
Government of the People's Republic of
Bangladesh

Message

I am glad to know that like to other member-countries Bangladesh will also observe the 'UN International Year of Microcredit 2005'.

The principal objective of observing the year is to achieve the Millennium Development Goal of halving the number of global poor by the year 2015.

Our government is fully aware of the important role of micro-credit in reducing poverty and hence have taken different steps to make the programme more effective and dynamic. Bangladesh is now globally recognised as the champion of microfinance. It has also been acclaimed internationally for success in this area. Many microcredit programmes are being implemented in the country with a view to achieving the goals of poverty reduction, self-employment and socio-economic development of a large segment of population. All these programmes together have already started to yield dividends by generating employment, increasing financial solvency and improving the living condition of the poorer people of the community. Our microfinance programmes are also making significant contribution to the growth of national economy.

I wish the 'UN International Year of Microcredit 2005' all success.

Allah Hafez, Bangladesh Zindabad

Khaleda Zia



Foreign Minister
Government of the
People's Republic of Bangladesh
Dhaka

Message

I am delighted to know that Bangladesh is observing the "United Nations International year of Microcredit 2005" declared by the United Nations in New York and formally launched on 18 November 2004.

I warmly welcome this initiative. Bangladesh's pioneering role in microcredit and microfinancing is well known and microcredit is now being replicated in an increasing number of countries. It is only befitting that we should observe the year of microcredit with due solemnity.

I also wish to commend the Palli Karma Sahayak Foundation (PKSF), for its contribution to the fight against poverty. Since its inception, PKSF has very successfully worked as an apex microcredit funding and capacity building organisation. I am confident that PKSF will keep up its good work and continue to help those who work with the poor at the grass-roots level. On this occasion let us renew our commitment to do everything possible to improve the lives of the people of Bangladesh.

I congratulate the organisers for observing the "United Nations International year of Microcredit 2005" through out the country and wish them well in their endeavour.

(M. Morshed Khan, MP)



UNITED NATIONS
NATIONS UNIES
THE SECRETARY-GENERAL
MESSAGE ON THE LAUNCH BY H.E. THE PRIME
MINISTER OF BANGLADESH
OF THE INTERNATIONAL YEAR OF MICROCREDIT
Dhaka, 15 January 2005

I am delighted to send my warmest wishes to the people and Government of Bangladesh as you inaugurate your programme to commemorate the International Year of Microcredit.

Since the concept was born in Bangladesh almost three decades ago, microfinance has proved its value, in many countries, as a weapon against poverty and hunger. It really can change peoples' lives for the better – especially the lives of those who need it most.

A small loan, a savings account, an affordable way to send a pay-check home, can make all the difference to a poor or low-income family. With access to microfinance, they can earn more, build up assets, and better protect themselves against unexpected set-backs and losses. They can move beyond day-to-day survival towards planning for the future. They can invest in better nutrition, housing, health, and education for their children. In short, they can break the vicious circle of poverty.

If we are to reach the Millennium Development Goals, that is exactly the kind of progress we need to make.

Let us be clear: microfinance is not charity. It is a way to extend the same rights and services to low-income households that are available to everyone else. It is recognition that poor people are the solution, not the problem. It is a way to build on their ideas, energy, and vision. It is a way to grow productive enterprises, and so allow communities to prosper.

Where businesses cannot develop, countries cannot flourish. Let us use this International Year of Microcredit to put millions of families on the path to prosperity. I extend my gratitude to the nation and people of Bangladesh for helping to show us the way.

Kofi A. Annan

National Committee for Observance of "UN International Year of Microcredit 2005" in Bangladesh

1. Dr. Salehuddin Ahmed, Managing Director, PKSF; Convener
2. Mr. Abdul-Mueed Chowdhury, Executive Director, BRAC; Member
3. Director General, NGO Affairs Bureau; Member
4. Mr. Md. Tofazzel Hossain, Joint Secretary, Ministry of Information; Member
5. Mr. A.F.M. Matir Rahman, DG, BRDB; Member
6. Mr. Md. Idris Mia, Joint Secretary, Ministry of Youth & Sports; Member
7. Mr. Md. Qudus Khan, Joint Secretary, Finance Division, Ministry of Finance & Planning; Member
8. Mr. Khandakar Muzharul Haque, Executive Director, Bangladesh Bank; Member
9. Mr. Md. Humayun Kabir, Joint Secretary, Ministry of Civil Aviation and Tourism; Member
10. Mr. Mohammad Abul Quaseem, Joint Secretary, Ministry of Women and Children Affairs; Member
11. Mr. Hafizul Islam Mian, DG, Department of Social Service; Member
12. Mr. Nasimul Ghani, Joint Secretary, Ministry of Fisheries and Livestock; Member
13. Mr. M. Mokhlesur Rahman, Joint Secretary, ERD; Member
14. Mr. AKM Jahangir, Joint Secretary, RD & CD, Ministry of LGRD & Cooperatives; Member
15. Miss Ismat Jahan, Director General (MEA), Ministry of Foreign Affairs; Member
16. Mr. Md. Abdul Mannan, Executive Director, CDF; Member
17. Mr. Md. Jahirul Alam Sikder, General Manager, Sonali Bank; Member
18. Mr. Abdur Raquib, Executive President, Islami Bank Bangladesh Ltd.; Member
19. Mr. Dipal Chandra Barua, Deputy Managing Director, Grameen Bank; Member
20. Mr. Md. Shafiqul Haque Chowdhury, President, ASA; Member
21. Mr. Md. Sobir Ahamed, Deputy Secretary (Admn), Ministry of Home Affairs; Member

Focal Point of the National Committee for Observance of "UN International Year of Microcredit 2005" in Bangladesh :

1. Mr. Akond Md. Rafiqul Islam, Assistant General Manager, PKSF
 2. Mr. Md. Abdus Sattar, Microenterprise Specialist, PKSF
- Address: PKSF Bhawan, E-4/B, Agargaon, Shere-e-Bangla Nagar, Dhaka-1207. Phone : 9126240-3, 9140055-9
Web page: www.pksf-bd.org/un_microcredit05.html. E-mail: unmc05bd@pksf-bd.org

Programs for observance of "UN International Year of Microcredit 2005"

- The nationwide observance of "UN International Year of Microcredit 2005" will be inaugurated on 15th January 2005 in the "Bangladesh-China Friendship Conference Centre" at Dhaka, Bangladesh. Hon'ble Prime Minister of the People's Republic of Bangladesh will grace this inaugural ceremony as the chief guest and will release the commemorative stamps to mark the occasion.
- Posters, leaflets, stickers related to observance of "UN International Year of Microcredit 2005" will be published and distributed for creating wider public awareness about microcredit.
- The booklet titled "State of microcredit" will be published.
- Special supplements will be published both in the daily national english and bengali news papers on the day of inauguration of observance of "UN International Year of Microcredit 2005". Special bulletins, reporting, write-up, features will be published regularly in the national newspapers throughout the year.
- Meetings with the Beneficiaries and stakeholders will be arranged round the year.
- Broadcasting of talkshows, features and success stories of the microcredit activities will be arranged through national broadcasting centres and other electronic media.
- Arrangement of fairs to promote products of microcredit borrowers will be arranged both at national and local levels.
- Reports on activities of successful MFIs and microcredit borrowers will be published.
- Arrangement will be made for essay competition and debates on issues pertaining to microcredit activities. Awards will be given to successful Managers/Field workers and other relevant persons.
- A slogan of "UN International of Microcredit Year 2005" on the cover pages of calendars, diaries, pads and envelopes of various organisations will be printed.
- The national Committee will implement above mentioned programs. District and Upazila Committees are being constituted for observance of "UN International Year of Microcredit 2005". These Committees will organize rallies, seminars, symposiums, documentary films and audio-video shows throughout the year. Besides, different organisations will draw-up their own programs.