

FINANCIAL AND INFORMATION SERVICES FOR THE UNDERSERVED

Matching Sustainable Development & Business Opportunities in China

- Over 100 million persons live on less than \$1 a day in China (*World Bank - UNDP*)
- While 60% of the Chinese population lives in rural areas, over 3/4 of rural households have no access to formal credit (*People's Bank of China*)
- 130 million persons are reached by microfinance through a network of 38,000 government-run rural credit cooperatives, Agricultural Bank of China sub-branches, provincial governments and Women's Federation provincial branches as well as through internationally-supported NGOs.
- In urban areas, over 20 million people are on the brink of absolute poverty due to downsizing in state-enterprises. The government recognizes that microfinance can contribute to help laid-off workers to rebuild a new life.
- Despite the growth of microfinance initiatives, only 3 to 6% of those who are in need of microfinance have access to it (*UNDP*)



UN Year of Microcredit 2005

The UN General Assembly designated 2005 as the **International Year of Microcredit** and has invited national governments, all United Nations organizations, concerned non-governmental organizations, civil society actors, the private sector, and the media to join in raising the profile and building the capacity of the microcredit and microfinance sectors.

What is Microfinance ?

Microfinance is “Banking for the Poor”. Microfinance provides a range of small-scale financial services (loans, savings, insurance, pension system) to those who are excluded from the formal banking system.

At the core of microfinance is the belief that **access to financial services empowers the poor**. Provided with start-up capital and other relevant financial services, poor people can start small businesses – “microenterprises” like vegetable stands, tea kiosks, or repair shops.

This way, microfinance allows **self-made entrepreneurs to raise themselves above the poverty line** so that their children can go to school, sickness and disease can be prevented, and women can earn income and respect. At the community level, microfinance feeds the growth of markets and empowers people to rely on themselves for the creation of wealthier and healthier communities.

A Bridge Between Development Actors and the Business Community ?

C.K. Prahalad underlines that **servicing the poor can be a profitable business**: while leveraging their core competencies and scale to offer affordable high-quality products and services to the poor, multinationals get access to a large underserved market whose specific needs call for innovation.

Microfinance used to be viewed as a charitable activity, but for Stanley Fischer, “microfinance can provide bankers with a **profitable business opportunity that at the same time gives poor people a stake in the economic future of their countries**”.

Matching ICT & Microfinance ?

Information and communications technologies (ICTs) can enable microfinance institutions to upscale their activities and increase their efficiency to **provide targeted and affordable services** to the poor.

ICTs provide microfinance clients with information about markets, production, and techniques which are as crucial to them as working capital, thus increasing human and economic development opportunities. Microfinance is a particularly appropriate vehicle for reaching the underserved in China and contributing to bridge the digital divide.



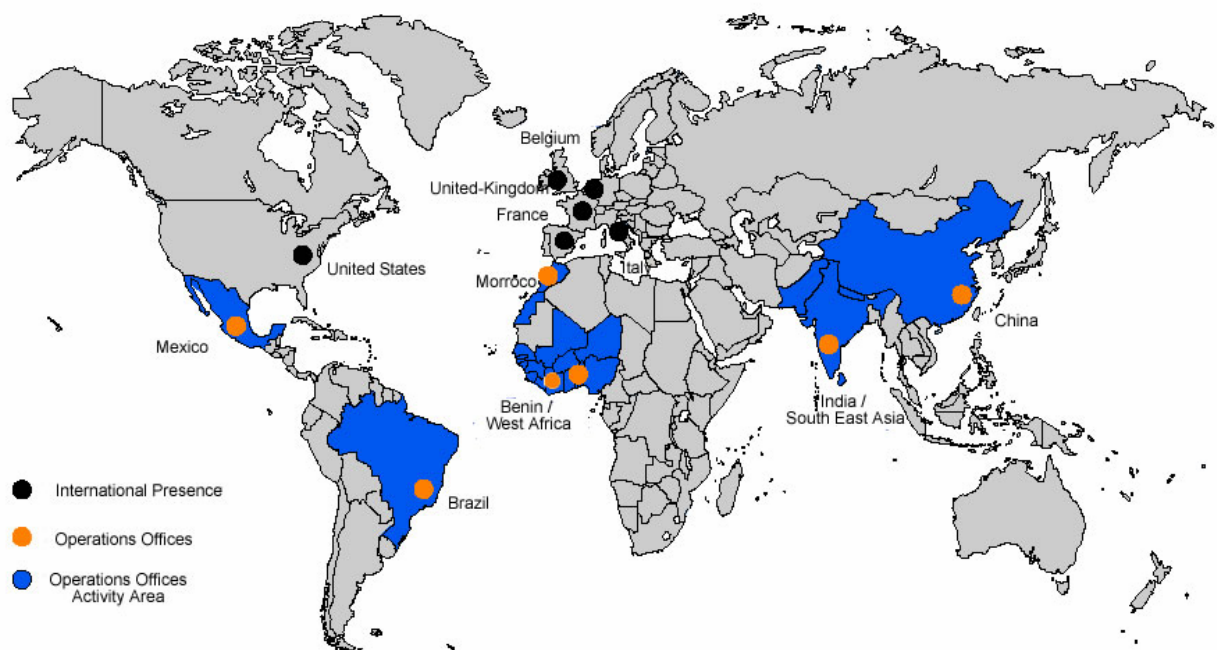
HE GUIZHU
 Pitching for Pigs

He Guizhu lives in Shang Ji Village, Southern China. In 1999, she received her first \$200 loan and bought 3 pigs. After paying back the loan, she still had a profit of \$50. From that time, she kept renewing her loan. Today, she is raising 15 hogs and 8 piglets at home. In addition to her growing profit, her involvement in the microfinance programme gives her a chance to learn new skills through regular training.

Because her business has become the main source of her family's income, her husband no longer scolds her because she wasn't able to bring enough money for the family. She can also easily pay her children's school fees.

PlaNNet Finance

PlaNNet Finance is an international non-profit organization that works to reduce poverty by supporting the microfinance sector, particularly through the effective use of information and communication technologies. PlaNNet Finance is active in over 60 countries and has developed an international network of affiliated offices in the United Kingdom, Italy, Spain, Belgium, Portugal, the United States of America, Mexico, Brazil, India, China, Morocco, Senegal, and Benin.



PlaNNet Finance China leverages the resources and expertise of the PlaNNet Finance worldwide network :

- **Training and Technical Support:** *PlaNNet University* provides field training, has developed a full range of training modules for microfinance staff available online, and is creating “Training of Trainers” courses. *PlaNNet Library* offers a free microfinance e-library, produces country studies, publishes a newsletter and moderates discussion forums and mailing lists of over 500 members. *Impact-Knowledge-Management* helps microfinance programs to become more client-oriented by evaluating their impact, identifying clients’ needs, and analysing repayment difficulties.
- **Rating:** through evaluation and rating in over 25 countries, *PlaNNet Rating* fosters transparency in the microfinance sector and help microfinance institutions to attract new sources of financing.
- **Financing:** the *Revolving Credit Fund* provides small loans to young microfinance institutions to support their growth, and help them seek other long-term funding and investors.

PlaNNet Finance China

PlaNNet Finance China was established as a representative office of PlaNNet Finance in 2002, following an assessment study requested by the Chinese Ministry of Foreign Trade and Economic Cooperation conducted with McKinsey China. PlaNNet Finance China has been approved by the Chinese government as a tax-exempt. Eleven Chinese and international staff, with support from eight volunteers, are implementing our activities.



PlaNNet Finance China is an active partner of the Citibank-sponsored China Association of Microfinance (CAM) and strives to **build bridges among key microfinance stakeholders**: beneficiaries, government, researchers, aid agencies, the private sector, and the general public. PlaNNet Finance China collaborates closely with the Ministry of Science and Technology, the China International Center for Technical and Economic Exchanges, the Chinese Academy of Social Sciences, the China Foundation for Poverty Alleviation, and the All-China Women's Federation.

PlaNNet Finance China's annual operating budget for 2004 is 175,000 EUR, thanks to the financial support of multinational corporations such as **Suez, Areva and Microsoft** as well as of grants the **European Commission** EU-Asia IT&C programme.

Besides offering services to microfinance institutions, PlaNNet Finance China provides a general support to the various stakeholders in the field of microfinance. Our **services** include:

- **Training** (field training at the county level) of grassroots microfinance staff to improve their practices so that they increase efficiency and reach sustainability;
- **Technology support** (IT training, computer provision): to promote the computerization of transactions improves data reliability and saves time, which allows the costs to clients.
- **Information Exchange**: the creation of a bilingual microfinance Web-Portal (www.microfinancechina.net) and the development of websites for microfinance programmes foster best-practice sharing, information exchange, and publicity for the microfinance sector, as well as communications with other domestic and international stakeholders.
- **Policy Advocacy & Partnership Building**: by providing consultancy services to Chinese official agencies and performing research and impact studies, we strive to build bridges with the private sector so that to create a conducive environment for microfinance in China.

In the future, PlaNNet Finance China plans to build upon PlaNNet Finance worldwide expertise to develop other activities in the field of microfinance programs evaluation and financing.

As of October 2004, PlaNet Finance China's **achievements** include:

- Training of **255** microfinance staff from **43** programs in **6** field sessions across China;
- Design of **15** training modules, available online on the China Microfinance Webportal;
- IT assistance to **37** microfinance programs (provision of computer / memory sticks)
- Creation of websites and of free email accounts for **23** microfinance programs;
- Weekly IT training provided to **80** young migrant workers;
- Gathering of **100** policy makers, IT professionals and representatives of NGOs at a conference in Beijing on the potential of IT and telecom for poverty alleviation and preparation of a China-Euro-India conference in Brussels on the same topic;
- Creation of a bilingual China Microfinance **Web-Portal** hosting news and reports on microfinance and IT for development, and data about microfinance programs operating in China,... (<http://www.microfinancechina.net>)

We estimate that over **30,000** low-income families are directly impacted by the programs that we have served in **21** Chinese provinces, in both rural and urban areas.



Our current projects include:

- **Broadband for Barefoot Bankers:**
 a 18-month programme sponsored by the European Commission to introduce selected ICT tools in grassroots MFIs and promote "IT & Microfinance" public-private partnership through Euro-Chinese seminars ;
- **ICT for Microfinance Poverty Reduction:** a 2-year project sponsored by Microsoft and implemented in concert with the Ministry of Science and Technology and the China Foundation for Poverty Alleviation aiming at establishing Community-based Technology Learning Centers (CTLCs) in 4 rural provinces through existing MFIs, to train microfinance workers, school teachers, health workers, and key members of the community ;
- **Technology Learning Center for Migrant Workers:** 2-year Microsoft-sponsored project to provide Beijing migrant workers with a 3-month weekly IT course to facilitate their social and economic integration in the urban environment.

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and the China Microfinance Portal (powered by PlaNet Finance) at <http://www.microfinancechina.net>

Computers for Microfinance Poverty Reduction Programs in China's Remote Villages

In July 2004, PlaNet Finance China undertook a tour of China, with the objective of strengthening microfinance programmes from poor rural regions with information technologies and communications (IT & C).

In one month, 23 microfinance programmes from 7 impoverished Chinese provinces were provided with IT&C equipment, benefited from an IT&C training, and were offered email accounts as well as the design of their organizational websites.

Although presenting various legal statuses (government-organized Chinese NGOs, local poverty alleviation bureau, rural credit cooperatives, internationally-supported NGOs...) these rural programmes share a strong need for information and communications technologies:

- to gain knowledge of international best-practices, regulatory framework and general policies, to access e-learning opportunities and to share experiences with other microfinance actors;
- to raise funds through awareness of funding opportunities and improved transparency / visibility;
- to improve internal information management thus improving loan monitoring, decreasing risk and saving costs;
- to communicate better and at low cost with national headquarters;

Today most rural programmes benefit from low-cost fixed phone: therefore, if they have a PC and know how to use it, they can easily connect analogue internet service. This Equipment Delivery campaign provided them with tools and knowledge to take advantage of this situation.



A client of the MF programme in Yulong county (Yunnan) at the equipment delivery ceremony



Women attending their weekly repayment group meeting in a small village of Malipo county (Yunnan).

This campaign has been conducted in the framework of a 18-month project sponsored by the European Commission EU-Asia IT&C programme. From September 2003 to July 2004, 37 organisations in 11 provinces, from Central Asia to the Vietnamese border were provided with IT equipment and training.

Most of the programmes that benefited from the campaign didn't not have a computer. Some had a very old one but didn't know how to use it in their daily work.

To identify programmes combining good performance, sound management, commitment to transparency and strong IT&C needs, an information sheet was diffused across China by phone, fax, mail and email.

17 organizations were financially and technically assisted in purchasing computers in the local market. This has strengthened the interest and knowledge in computers of those grassroots programmes, contributed to the local economy and will facilitate quick support from local vendors in case of future technical problem. The installation of the computer provided an occasion to train the staff on how to set up PC, connect with internet, install an email account in Outlook Express, send and receive emails through OE, and how to search internet.

Another 6 organizations were provided with USB memory stick and email accounts and learned how to use them through distance-learning tools (CD-Rom).



One of the first clients of Huanyuan programme in Qinghai. Baking bread under the sky is her main source of income.

This campaign, raised grassroots microfinance programmes' interest in learning from other experiences, increasing their financial/operational transparency and communicating about their own action within and outside China.



A client of Huanyuan county, in Qinghai province, one of the poorest areas of Western China.

Through providing IT&C equipment and training to microfinance programmes, the campaign contributed to bridge the digital divide. Indeed, microfinance staff's key role within the communities put them in a privileged position raise their clients' interest in the use of computers (to get market prices, learn new skills,...), provide them training and ongoing support.



● Equipment Delivery Sites

ICT for Microfinance Poverty Alleviation

A joined initiative by PlaNet Finance, Microsoft and the Ministry of Finance and Technology

On a rainy afternoon in September 2004, Ansai county seat, a small town nestled into a landscape of coffee brown sandstone hills and gray-green rivulets of central China, was proclaimed the first site of China's Microsoft Unlimited Potential "ICT for Microfinance Poverty Alleviation" project.

Many dignitaries appeared to celebrate this first example in China of a **partnership between a private corporation** (Microsoft), a **Chinese government** department (Ministry of Science and Technology), and a **non-profit organization** (PlaNet Finance) on a poverty alleviation project of this nature.



The Ansai Community-Based Technology Learning Center (CTLC) program **combines technology with financial services** to impact the lives of disadvantaged peoples in rural regions of China.



Facilitating the shift from video war-games to the use of computers for communication as well as access to distant markets, information, and knowledge resources.

With support from UNDP that began in 1998, the Ansai microfinance program has been implemented through the national Ministry of Science and Technology as its implementing agency.

The program provides small loans ranging between 1000 and 3000 CNY per year to rural village households in the area. It charges an annual interest rate of 8% and holds its clients to an expectation to repay on a quarterly basis.



Mr. An, the microfinance program's accountant, interacting with a client during one of his site visits.

To reach clients in remote villages, microfinance officers ride motorcycles for long distance on dangerous roads.

Information and Communications Technologies (ICTs) can greatly help programs such as Ansai improve their efficiency, thus reaching operational sustainability and reducing the final cost to the client:

- **computer automation** saves times in the loan monitoring process and limits the risk of errors;
- **mobile phones and palm pilots** bring solutions to deal with geographical constraints, which are one of the main barriers to microfinance staff's work in remote areas;
- access to the **Internet** and use of email facilitates experience-sharing with other programmes and provides greater access to learning material.



Mrs. Liu Cili, a client since 2001, has utilized her microloans to purchase animals and open a small roadside store next to the government's highway construction site.



Mr. Wang, a “barefoot banker” microfinance loan officer, beaming at the success of one of his clients.

The CTLC also provides IT access to **a variety of other affiliated actors** (teachers, health workers...) that have the potential to reduce poverty through their work in communities at the county, township, and village level.

At the CTLC project site, **microfinance program staff** can both benefit immensely from computer training administered at the county-level to improve financial and management systems, as well as utilizing technical knowledge to directly impact microfinance clients.



Mrs. Cheng uses her loans to grow tomatoes in a greenhouse, and earned enough money in three years to pay back prior loans taken out for her son’s education and begin saving for her and her husband’s retirement.



In the process of building a highway through Ansai county, the Chinese government provides seasonal work for people in the area. This road also signals the impending future development of the area, providing increased economic opportunities that microentrepreneurs can potentially take advantage to hoist themselves out of poverty through fiscal discipline and productive ingenuity.



SHORT PRESENTATION

SEPTEMBER 2004

Planet Finance India is a member of PlaNet Finance global network. **PlaNet Finance** is an international non profit organization, which aims at alleviating poverty by contributing to the development of the microfinance sector.

Microfinance has proven to be one of the most efficient instruments to help create economic opportunities for the poor. By providing access to financial services to the poor and the poorest, Financial Intermediaries among which Banks, Cooperatives, NGOs and Microfinance Institutions (MFIs) worldwide have contributed to the creation of an inclusive financial sector.

PlaNet Finance's aim is to support these efforts by **federating those Financial Intermediaries**, and **providing them with operational services** in terms of **capacity building and financing** to facilitate their growth. PlaNet Finance also **works with the private sector (banks and financial institutions, 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 **United States of America**, **Latin America** (Mexico and Brazil), **Asia** (India and China) and **Africa** (Morocco, Senegal and Benin). **PlaNet Finance supports the development of microfinance through a number of activities to strengthen the sector as a whole, through government or policy makers, the private sector, or directly MFIs.**

PLANET FINANCE'S ACTIVITIES TO DEVELOP THE MICROFINANCE SECTOR :

- **Support to Microfinance Networks** at the country level to develop services for their members
- **Creation of National Microfinance Portals** to increase information-sharing and visibility of the sector
- **Creation of Credit Bureaus** to establish client's creditworthiness and reduce solvency risks for MFIs
- **Regional Impact Studies** to monitor the impact of microfinance in a specific region or country
- **Creation of Country-wide Training & Resources Centres** for microfinance
- **Advisory services to the private sector** (financial institutions, etc.)
- **Advisory services to governments** to develop an efficient Microfinance sector

PLANET FINANCE'S ACTIVITIES TO ENHANCE MICROFINANCE INSTITUTIONS:

- **IT Support Services:** basic computer equipment donation, computer literacy training, web site design and hosting, as well as advisory services on management information systems.
- **Training and Capacity Building Services:** e-learning courses, on-site training workshops, and on-going programs at PlaNet Finance's country training and resources centres.
- **Rating & Evaluation Services:** assessments of MFIs' performance, publication of ratings reports for investors and banks, and advocacy for transparency standards through PlaNet Finance's autonomous rating agency: "**Planet Rating**"
- **Funding Services:** PlaNet Finance's Revolving Credit Fund (RCF) provides loans to young and high potential microfinance institutions to help them build credit history and leverage future investors' funds.



SHORT PRESENTATION

SEPTEMBER 2004

Planet Finance India acts as PlaNet Finance regional hub for South Asia. **Its mission is to strengthen the development of microfinance and micro enterprise in the region** through the implementation of projects to support existing Microfinance Institutions and Financial Intermediaries increasing the access to Microfinance services.

PlaNet Finance India current partners are :

- A group of **105 Microfinance institutions** in India, Nepal and Pakistan. In India, PlaNet Finance has been active with its network of partners in the following **10 States** : Rajasthan, Utar Pradesh, Haryana, Uttaranchal, West Bengal, Maharashtra, Orissa, Andhra Pradesh, Tamilnadu. Institutions member of this network include **Badhan, VSSU, Annapurna, NEED, Urmul Seemant** and many others.
- Indian financial organizations such as **SIDBI**, the **Banker Institute of Rural Development Training Center** with whom we have organized a dozen of microfinance, management and IT training sessions
- International donors, private corporations and foundations such as the **European Commission** and the **Sustainable Development Foundation** that have financed a number of projects among which ASIA ITC in India, Nepal and Pakistan, ASIA Invest in Nepal and the creation of an in-house training centre.

PlaNet Finance India current activities and areas of expertise are the following :

- **Capacity Building and Training** in microfinance (full curriculum provided during in-house and onsite trainings) and Information Systems (particularly management training, financial planning, product development, hands-on ITC training)
- **Maintenance and development** of a regional portal www.microfinancesouthasia.net to further improve the transparency and benchmarking in the microfinance sector, creation of Web Site for microfinance Institutions
- **Revolving Credit Fund** to assist the small MFIs to access commercial borrowings

PlaNet Finance India is preparing the development of activities in the following areas :

- **Support the development of microenterprise through Business Development Services** particularly in the areas of handicraft and rural development ;
- **Support** the involvement of Private sector in Microfinance (ICICI & ABN AMRO)
- **Support public sector intervention in microfinance** providing adequate advisory services to public institutions such as NABARD, SIDBI, etc.

PlaNet Finance India is an Indian Non Profit organization established in April 2001 as a registered Charitable Trust.

It's Board of directors/ Advisory Board includes:

Shani Mongia (erstwhile Director, Escorts India)
Haresh Shah (Member, Khadi and Village Industries Commission)
Jacques Attali, President of PlaNet Finance
Arnaud Ventura, Managing Director of PlaNet Finance
Bobby Parik, President of Sustainable Development Foundation
Xavier Bertrand, French Trade Mission, Mumbai

Chief of Mission: Shivendra Sharma