

MICROFINANCE AND POVERTY

HELPING PEOPLE HELP THEMSELVES

IDRC and its research partners are delighted to congratulate Muhammad Yunus and the Grameen Bank on being awarded the Nobel Peace Prize.

While we are pleased to applaud a well-earned tribute to a colleague in our shared struggle against poverty, we are happy for additional reasons. The approach that has brought Grameen such high honour has much in common with the approach that IDRC and its partners practice and promote worldwide.

IDRC's fundamental attitude toward development research is apparent in the organization's everyday working idiom, which is filled with terms like "participatory," "community based," "capacity building," and so on. IDRC believes in involving local communities as partners in research, in treating people not just as the subjects of inquiry but as collaborators in the process, and finally, in returning the research findings back to the community.

Like Grameen, IDRC assumes that people on the ground are the real experts. They understand better than anyone does what needs to happen so that they will be freed from poverty. IDRC's role is to help local researchers to express these needs — and to find solutions that work.

Maureen O'Neil

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President, IDRC

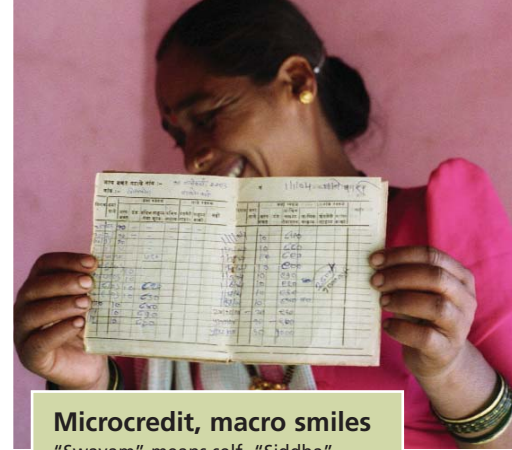
IDRC AND GRAMEEN AGAINST POVERTY

IDRC has collaborated with the co-winners of the 2006 Nobel Peace Prize, Muhammad Yunus and the Grameen Bank, to introduce information and communication technologies benefiting rural development in Bangladesh's "Grameen villages."

IDRC has helped support:

- ▶ Grameen Communications' efforts to boost the links among Grameen Bank's network of over 1 000 offices, in particular its rural branches;
- ▶ the first Grameen Internet's web and email public access point serving educational and nongovernmental organizations and researchers;
- ▶ a pilot of one of the earliest rural telecentres in Asia, at Madhupur, Tangail district; and
- ▶ the Grameen Bank's innovative experiments with VSAT (Very Small Aperture Terminal), wireless, and mobile phone technologies.

For more information: www.grameen-info.org



Microcredit, macro smiles

"Swayam" means self, "Siddha" means capable or empowered. Swayamsiddha, a self-help project of India's BAIF Foundation, supported by IDRC and the Canadian International Development Agency (CIDA), has helped thousands of rural Indian women access credit of more than 14 million rupees (CA\$400 000) — an enormous sum for families earning under \$1 a day.

A SAFETY NET FOR THE POOREST

The sudden death of a family member, illness, or loss of income or property due to theft or natural disaster is always a painful personal tragedy, but events like these can also lead to economic vulnerability, even poverty. For people who are already poor — teetering between survival and destitution — such setbacks are usually catastrophic.

Just as microcredit schemes like the Grameen Bank have enabled entrepreneurs in developing countries to avoid the vicious cycle of onerous debt, so can various micro-insurance plans help sustain impoverished

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Canada's International Development Research Centre (IDRC) is one of the world's leading institutions in the generation and application of new knowledge to meet the challenges of international development. For more than 35 years, IDRC has worked in close collaboration with researchers from the developing world in their search for the means to build healthier, more equitable, and more prosperous societies.

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families in times of misfortune. These modest, scattered, and often informal programs — mutual burial societies, for example — exist because traditional financial markets, and insurance services in particular, largely exclude the poor. Delivering low-cost insurance to more of these disadvantaged people is an important measure toward reducing global poverty.

The first step in making micro-insurance more accessible is simply finding out what works. Researchers must examine schemes operating in different countries and under varied regulatory and institutional frameworks, and ask: What government policies best encourage the growth of an effective micro-insurance sector?

What government policies best encourage the growth of an effective micro-insurance sector?

The Working Group on Micro-Insurance of the Consultative Group to Assist the Poor (CGAP-WGMI) has appointed South Africa's FinMark Trust to tackle this question. This independent trust is leading a two-year, multicountry analysis of the impact of legislation and regulation on the availability of life insurance to poor

households. The research is funded by IDRC, along with the German international cooperation agency GTZ. It builds on an earlier IDRC-funded research network that examined the regulation and supervision of community-based microfinance institutions.

The current study aims to “produce a set of principles that will guide national policymakers and regulators in developing an enabling legislative and regulatory framework for the provision of insurance services for the lower income market.” These principles must be practical and appropriate for developing countries.

FinMark will coordinate teams of researchers from five developing countries, in Asia, Africa, and Latin America. Their detailed case studies will produce an abundance of practical information about how micro-insurance has evolved and has been regulated and supervised, as well as the factors that allow or impede access to financial markets by the poor in these varying national contexts. This knowledge will make it easier to draft guiding principles for expanding the sector in developing countries generally.

Because of the many complexities of administering financial programs in low-income settings, the researchers are wary of any “one size fits all” model. And since women and children are particularly vulnerable to poverty, the survey will undertake additional measures that will address the age and gender aspects of micro-insurance.

For more information: www.finmarktrust.org.za

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DRUMNET: EAST AFRICA'S VIRTUAL COMMODITIES EXCHANGE

In central Kenya, a woman grows green beans and baby corn. One day, two men arrive from the local DrumNet office. They ask the farmer about her progress, offer technical and financial advice, and — music to her ears — they tell her that a buyer in Nairobi wants her crop.

This is something new. In the past, farmers lacked information about where to find the best prices for their produce. These struggling entrepreneurs were at the mercy of intermediaries, unsympathetic banks, and distant markets.

Like the “talking drums” that traditionally served as a telegraph in parts of Africa, DrumNet is a Web-based communications medium that supplies technical advice, financial services, and timely market information to smallholder farmers.

With support from IDRC, DrumNet was launched in 2002 as a pilot project of the nongovernmental organization, Pride Africa. Each of DrumNet's rural support centres — sometimes just a kiosk — is equipped with a computer, dial-up capability, and a cellphone, all of which link DrumNet's local “infobroker” with the project's database in Nairobi. Using such low-cost technologies, more farmers can make better decisions, increase productivity, and reduce poverty.

Now, DrumNet is developing a new credit system to allow poor farmers to purchase crucial inputs, such as fertilizers, pesticides, and fencing, prior to harvest. Currently, many farmers either manage without these inputs altogether, or else they enter into unfair credit schemes in exchange for selling their produce at deflated prices. DrumNet's simple, savings-led voucher service will make it harder to exploit these vulnerable entrepreneurs.

For more information: www.drumnet.org