



STATEMENT BY AMBASSADOR BYRON BLAKE, DEPUTY-PERMANENT REPRESENTATIVE OF JAMAICA TO THE UNITED NATIONS, ON BEHALF OF THE GROUP OF 77 AND CHINA, AT THE CLOSING SESSION OF THE JOINT INFORMAL EVENT OF THE SECOND AND THIRD COMMITTEES OF THE GENERAL ASSEMBLY: "INTERNATIONAL YEAR OF MICROCREDIT 2005: UN INTERNATIONAL FORUM TO BUILD INCLUSIVE FINANCIAL SECTORS" (New York, 8 November 2005)

Mr. Chairman,

Excellencies, organisers, presenters, recipients of awards, ladies and gentlemen,

It is a pleasure to make a few remarks on behalf of the Group of 77 and China in this closing session of a stimulating forum.

The vast majority of the billions of poor, of rural dwellers, of people without access to credit or other financial services from the formal financial sector are in developing countries. They are victims caught in a vicious circle. We have heard some compelling cases including some voices from Africa over the last two days. They need only small loans to start small ventures or facilitate specific activities but, new ventures are risky and small loans are costly to administer. They have no credit history – so they remain poor and unattractive to the established financial service providers which can make record profits providing more and more sophisticated services to those who have access.

The results include the ever widening inequality gap within and among countries and the increasing absolute number of persons living on less than \$2 a day.

The Millennium Development Goal of poverty reduction requires that this vicious circle be broken. One way to begin to break that cycle is to create access to credit and other financial services – now fashionably dubbed “inclusive financial services - for those who wish to create their own employment and possibly employ others by starting their own micro or small businesses.

It is from that perspective that the G-77 and China wishes to recognise, congratulate and express its appreciation to:

- Those micro credit institutions which have been providing, on the scale within their means, not only producer and trading credit but advise, counselling and other services to those without other access. We think, for example, of the credit unions in many countries, the national development foundations, and the Grameen bank;
- The United Nations and the other international agencies, the advisory group, the friends of the year of micro-credit; the regional development banks and all others involved, including governments, in designating and organising this year of micro-credit. It has been a very successful year as reported by the Chair of the Advisory Board;
- The UN Department of Economic and Social Affairs and all the other sponsors, the chairs, the keynote and other speakers in this two-day international forum to build inclusive financial sectors. It has also been a successful forum;
- The award winners who demonstrate how a small amount of cash and confidence in them – representatives of the poor and those without access – can make a huge difference; and,
- The increasing number of businesses and experienced persons in business, in the academic and research communities and in civil society who have been giving of their financial resources, technical and leadership expertise to help build understanding of, and support for those without access and those who cater to them;

As we bring this successful year to a close the G-77 and China would ask that, mobilised as we are, more sensitised as we are, and better informed as we are, we look through the right end of the telescope, see what is really there, ask the right questions and take the right actions. What do we see:

- A larger multitude of poor potential entrepreneurs, needing access to financial services, a large portion of whom will use it effectively as evidenced by those we now honour;
- That a small amount of cash, delivered at the right time and under appropriate conditions can make a real difference in the lives of individuals and communities;
- A challenge to address their needs. It is they who are in poverty and need financing. The information we mobilise should be to direct us to their needs – not to address ours at least not primarily;
- There are several institutions working with poor people, which know their needs and understand the cultural milieu within which they operate. We should seek, first, to partner with those institutions, to extend their reach and to strengthen their areas of weakness;

- The multitude of the poor and the institutions working with them are not profit centres waiting to be made ready for the plucking by our organised financial sector. The commercial financial sector should share the risks and the development costs to establish a legitimate basis for their long-term profits. We have seen too often where pioneering, risk-taking institutions build up clients only for those who become “credit worthy” to be taken by the established commercial providers while the pioneering institutions are left with the consistently replenishing pool of expensive and high risk clients;
- The yardstick for measurement of performance of institutions which cater to the poor and the remotely located cannot be the same as that used by institutions catering to choice customers who require large loans. We have seen otherwise successful institutions in developing countries abandoned because their loan conversion ratios and their percentage administrative costs are higher than those of institutions which took a prior-decision that the clientele they serve was too expensive to service;
- Effective micro-finance institutions have a high proportion of social or developmental costs. In addition to all their other disadvantages – lack of scale, cost of physical inputs, lack of technology – the poor cannot be expected to pay abnormally high interest to cover these costs especially in a liberalised market environment where all efforts are directed to reducing interest charges for established businesses. These costs, - not any costs arising from inefficiency, -should legitimately be supported by national governments and the international community;
- More critically we see a development problem of massive scale. A development problem is not a fad. It is not amenable to short-term solutions – one year solutions. We need a long-term programme. The commitment displayed over the “year” must now be organised for the long-haul. If we were as wise, then, as now, we would in all probability have proposed a decade of micro-credit or perhaps more appropriately of micro and small enterprise development to approximate more closely to the timeframe for achieving the Millennium Development Goals (MDGs).

Is it too late? Perhaps, we could recommend this as a follow-up to the 2005 World Summit which has re-committed to the achievement of the MDGs.

I thank you.