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USE OF MICROCREDITS FOR DEVELOPMENT OF INVENTIONS AND RESEARCH RESULTS

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I. INTRODUCTION

This presentation comprises three parts that will deal successively with the concept of microfinance in the global context; the worldwide machinery set up for its development; related actions by UNDP and a tentative reply to the following question: how to establish links between microcredits and the development of inventions and the results of research?

II. THE CONCEPT OF MICROFINANCE IN THE GLOBAL CONTEXT

The economic operator has long survived by using his skill as an entrepreneur and his knowledge of the local market for the running of micro and small enterprises. Most of the time, such microenterprises are faced with severe constraints due to lack of access to several vital services.

Among the main services, finance is frequently that referred to most often. In order to survive, the microenterprises borrow from various traditional sources, such as pawnbrokers or money lenders who demand exorbitant interest, which constitutes a considerable obstacle to microentrepreneurs in the development of means to promote the growth and prosperity of their activities.

Over the last two decades, microfinance has appeared as an important instrument in the eradication of poverty. Throughout the world, there exists a growing community of organizations endeavoring to obtain financial services for the poor on a sustainable basis. The considerable achievements of the Grameen Bank in Bangladesh, of the Accion Network in Latin America, the Bank Rakyat in Indonesia, and many other institutions, provide access to credit, saving and other financial services for millions of customers. Such services have made it possible for customers with low revenue to acquire assets and working funds necessary to create sustainable means of existence and to build up savings and investment so as to reduce their vulnerability.

III. WORLDWIDE MACHINERY FOR THE DEVELOPMENT OF MICROCREDITS

The considerable development of experience by microfinance throughout the world during the nineties has led the decision-makers, the donors, scientists and practitioners to increasingly place the accent on the role of microfinance as a major instrument for the eradication of poverty. Thus, two major mechanisms of reflection have been created. These are the Consultative Group to Assist the Poorest (CGAP), set up in 1995, and the Microcredit Summit held for the first time in February 1997.

CGAP was set up at the initiative of several providers of funds and, principally, under the aegis of the World Bank. Its task is to assist the poor among the active population to improve their productivity by facilitating access to viable and quality financial services.

The Microcredit Summit bases on the idea that very small loans and access to other financial and commercial services may enable very poor persons to escape their poverty by setting up or developing small enterprises. Thousands of institutions, including foundations, NGOs, enterprises, microcredit practitioners and others, have launched an appeal for action to

give impulse to a worldwide movement capable of reaching 100 million families amongst the most impoverished in the world, particularly women, through credits and other financial and commercial services for self-employment. They are further committed to seeking to achieve the main objectives of the campaign, which are (i) to assist the poorest families; (ii) to assist women; (iii) to achieve institutional stability and, finally, (iv) to ensure measurable fallout for the life of customers and of their families.

IV. ACTION BY UNDP IN RESPECT OF MICROFINANCE

In the past, UNDP has supported microfinance activities under ongoing programs, ranging from institutional support to training and the exchange of experience. As an organism for technical assistance, the rules and procedures of UNDP do not permit it to use its funds for credit activities (except through UNIFEM (United Nations Development Fund for Women) and UNCDF (United Nations Capital Development Fund)). However, in view of the recognition of microfinance as an effective tool for eradicating poverty, the Executive Committee approved a pilot program known as MicroStart.

The MicroStart pilot program is a major initiative launched by UNDP in 25 countries. It is in response to an appeal made at the Microcredit Summit to start up a worldwide movement in order to reach the 100 million poorest families of the world, particularly the women, through credit and other financial services for self-employment by the year 2005.

Designed to promote a spirit of enterprise, the main aim of the program is to contribute to reducing poverty by improving access to finance and support services for the least favored entrepreneurs and producers, particularly the young and women, in order to undertake or increase activities that generate income. More specifically, MicroStart will assist in each of the selected countries in:

- strengthening the technical, institutional and financial capabilities of some 5 to 10 local organizations in order to provide microfinance services to impoverished active customers on a sustainable operational basis;
- developing an effective network of microfinance institutions as a link between the formal banking system and the informal sector through machinery to promote saving; and
- contributing to a better knowledge of the impact of microfinance on the customers.

Côte-d'Ivoire is the first country of Sub-Saharan Africa to implement this program with a contribution from UNDP of 1,610,000 dollars to permit the granting of small loans to poor people who are economically active. These loans will be repetitive and increasingly large in order to assist in making investments and achieving greater profits. Five savings and credit mutual institutions already participate in MicroStart Côte-d'Ivoire which took up activity last year. Additionally, UNDP also funds microcredit activities as part of certain projects and the campaign programs against poverty, AIDS, and the environment.

Two other major initiatives of UNDP in favor of that sector concern:

- the joint BOAD/UNCDF/UNDP program which has set up a microfinance window for West Africa with the principal aim of contributing to improvement of the living conditions of peoples in the area where UNDP and UNCD act in West Africa, through a range of savings and credit products adapted to the needs of micro and small entrepreneurs and producers; and
- the collaborative program initiated with the Women's World Banking which supports creation and strengthening of microfinance institution networks in Africa.

Following this overview of microfinance at worldwide level and at the level of UNDP action, I would now like to try to see how links can be established between microcredits and the development of inventions and the results of research.

V. MICROCREDIT AND THE DEVELOPMENT OF INVENTIONS AND RESEARCH RESULTS

As I was saying, microfinance appeared over recent years as an important and effective instrument in the eradication of poverty. Microcredit is indeed mainly aimed at deprived peoples.

But, in the case of the topic that you have asked me to speak on, we must already note that it may equally extend to the development of inventions within the framework of invention development and popularization of research results as to a certain category of persons who do not have the possibility of acquiring sufficient means to protect intellectual property. In particular, this concerns researchers and young inventors. We must also mention that the unavailability of credit in this sector greatly contributes to the brain drain from our young countries, where the fields concerned receive little subsidy.

This concern is of direct interest to us since we know that the field of inventions and research, depending on their nature of course, demand considerable funding that is repetitive and at risk, if we look at the results that are obtained. All knowledge begins with the idea. That is where we can rightly claim, *a priori*, that there are no direct links between microcredit and pure research since that frequently requires large scale funding.

However, where the results of research concern technologies that contribute to improving productivity, whilst improving the working conditions of impoverished peoples, particularly the women, the rural society and the informal sector; in such case we may note that microcredits effectively contribute to achieving certain of those objectives.

Indeed, the development of inventions and research results makes available to women the appropriate technologies that they are able to acquire with the help of microcredits funded by the various support programs in the microfinance support sector.

As regards support for the development of inventions and research results, microcredits may be provided at two levels: at the level of research and at the level of action.

1. Research

At this level, a special accent must be placed on inventions and research that promote development. Consequently, research must be strategically organized and conducted in networks in order to promote the establishment of microcredits. To enable inter-disciplinarity and comparison, the networks must harmonize their scientific tools at the epistemological, methodological and conceptual levels to avoid burdensome funding. Likewise, the constitution of networks must take into account the scientific vacuum that exists in certain of our young countries.

Finally, the civil society, particularly the NGOs remain preferred partners for improved knowledge of assets involving invention and research results, although remaining in a rudimentary state.

Certainly, they have derived benefits from the technological breakthroughs in the processing of foodstuffs, such as machines for processing cassava, fish smokers and oil presses. These minor technologies have frequently contributed to reducing the time required for manual work due to the more effective processing and that again has enabled them to improve their income.

2. Action

As far as actions are concerned, various types of support for microenterprises are provided through the establishment of microfinancing programs and projects on behalf of community groupings. From that point of view, the holders of the products of research and of inventions may benefit from such programs and projects either by becoming members of such groupings or by organizing them.

Moreover, the chambers of trade in our young countries, that constitute true centers for gathering knowledge and know-how, may also play a driving part in the development of inventions and in the popularization of research results. They may also serve as relays in the hunt for funding.

VI. CONCLUSION

Although there is no direct link between microcredits, the development of inventions and research results, we may claim that there exists machinery that can bring benefit to inventions and research results, on condition that this field takes more interest in the realities on the ground.

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