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### Round-table I : Exclusion by the finance - micro-finance and international debt

(Synthesis by Alain SIMON)

Internationale meeting, Geneva March 30-31, 2001

Opening: Mr. Pierre Calame.

Moderator: Prof. Paul. H. Dembinski.

## Introduction

- The exclusion by the finance: the micro-finance and the international debt - Daniel Warner (University of Geneva / IUHEI, Switzerland)

The exclusion is discerned commonly in a negative manner while on the contrary the inclusion has positive connotations. This proposition is questionable. The exclusion is ancestral and unavoidable, and is not necessarily negative.

Why is the exclusion discerned like a problem? It would be bound to Immanuel Kant and the democracy notion lately developed by many authors. A bond would exist between the democracy and the inclusion or peace.

The second exposed theory is in relation with the first: a bond would be present between the democracy as political system and the development. This one has never been demonstrated.

Since 1989, and the fall of the wall, the democracy is discerned as the panacea. If it is about a superficial process of democratization that is not necessarily exact. Finally, the exclusion is not either as such a good warhorse. Other variables would deserve to be raised to situate the question of the common good.

## Part I: International debt

- About the Jubilee 2000 - Yoko Kitasawa (JCA-Net, Japan)

The Jubilee 2000 claims that the debts that cannot be paid are annulled. With the consensus of Cologne, the leaders of the G7 committed to annul 70 billions of dollars of debts concerning the poorest countries. The process for the bilateral debts goes relatively well. Concerning the international institutions (HIPC) (multilateral process), the decision to the annulment of the debt is more partial. They repulses the process to not apply it. It is necessary to continue to exercise the pressure to annul the debt and to make the follow-up of this annulment. These debts increased because of the interest rates (that increased

strongly in the beginning of the years 80), besides, in real terms, they have often been paid already. Finally, the structural policies, imposed by the IMF, weakened the weakest countries.

□ Debt service and public property in Morocco - Lahsen SBAI EL IDRISSEI (Ministry of the economy, Morocco)

From 1980 to 1993, Morocco underwent structural programs of adjustment. There was an improvement concerning macro-economic indicators but an aggravation of poverty (IHD - Indicators of the Human Development). Since 1993, Morocco had resort to the internal stock markets to finance the budgetary deficit. Today a third of the budget is to the debt service, while in the beginning of the years 80 it was only about 7%. In the same way to this phenomenon, a strong reduction of the investment is noted. Without a global economic reform, the financial reform cannot produce any positive effects. It is necessary to take in account, not only the outside debt, but also the interior debt. Finally, why not reassign a part of the debt service toward something more productive?

□ In the research of ways of sustainable involvements to the sustainable economy - Jacques Cellar CHOMTHONGDI (Focus one the Global South, Thailand)

The "financiarisation" of the economy weakened the system, the southeastern Asia is an excellent example of it. The international financial institutions entailed a new shape of domestic debt. The private debt decreased while in the same time the public debt increased considerably. In a general manner, we attended an explosion of the debt during the last 50 years. To the micro level, quite instructive examples of exclusion by the finance have been noted for Thai peasants. The transformation of a subsistence production into a production oriented to the market (under the pressure of different strengths) dragged the peasants in cycles of indebtedness, this credit permitting to finance their production. According to the rates of interests of the credits, the peasants are crushed by the weight of this debt. In another domain, the system of inconvertible communal currency as it existed in the northeast of Thailand permitted a quite meaningful development in different sectors. This practice has been forbidden unfortunately by the Thai government, using the pretext of the destabilization of the national financial system.

□ Mechanisms of financing investments and the creation of the enterprises in French-speaking Africa - Jean MAVOUNGOU (Dr in economy, France)

Africa is today a real shambles and to permit a sustainable development, it would be necessary to create auspicious conditions to the development of the SME. The problematic is located to the level of financing. The banks are very chilly and different factors create some difficulties to the development of the private sector. Some countries, like Benin, pull their pin of the game better. The setting up of credible reforms contributed there, and the regional dynamics is also for something. Of another side, other regions of Africa didn't put any credible reforms in place. Congo (RDC) has, for example, a banking system in a sad state. In a general manner, it would be necessary to health the banking system and also to find a balance for the macroeconomic indicators. The setting up of a consulting structure to the entrepreneurs would constitute an interesting initiative. The system of the micro-credits also corresponds to the market of the entrepreneurs in Africa, it would deserve to be developed. Finally, to solve the question of the communication in its different measurements are a stake that Africa should raise.

□ Mexico; external debt, banking re-establishment and social exclusion - Victor QUINTANA (Equipo Pueblo, Mexico)

Mexico knew a policy of the high interest rates, in the goal to attract funds. The crisis of the debt in 1995 put the finances of the state and banking sector in crisis. This situation entailed a new raising of the interest rates, with the unavoidable dramatic consequences for the population and the SME. In another side the government is going to finance extensively, in a little transparent process, the difficulties bound to the banking sector through the Banking

Fund to the Protection of the Saving (FOBAPROA). The financial gulf represented by the purification of the banking sector marks its effects until this day. One can notice it by the process of taxation (VAT) on the medicines and food, products that were not until then taxed. For Mexico, there is not only the external debt that entails an enormous flight of the financial resources, the internal public debt also plays a non negligible role, and it to the costs of the social programs and the whole population. The solution to these questions pass by the international organisms created by the civil society and by the civil organizations (Jubilee 2000, for example). These actions deserve to be sustained, but it is not sufficient. The creation of an international organization of observation, surveillance and advice, and in particular on ethical bases, would be desirable. It would be about an organism that would establish some reports to the use of the national governments.

## Part 2: the micro-credit

□ The international debt to the service of the development of the micro-enterprise in emergent economies - Cédric LOMBARD (Blue Orchard Finance SA, Switzerland)  
What do we hear by micro-finance? First of all, it is about a service for exclude the traditional financial system, and also for micro-entrepreneurs, in particular in emergent countries, but also in developed countries. The institutions of micro-finance (IMF) intend to allow micro-entrepreneurs of emergent countries to develop their activities. If the IMF have relatively elevated interest rates, they reflect the different inherent costs to this service, and are incomparably lower than the casual and local usurers. The working of the IMF reveals that it is a profitable niche with a relatively weak risk obtained by the strong rate of pay back. Blue Orchard Finance SA intends to encourage the flux of the international debt by the refinancing of the IMF while demonstrating that an interrelationship can exist between the profit and the human and social development. The sector of the IMF is today a sector in full development.

□ Is the micro-credit an instrument of development? - Fernand VINCENT (Acces International, Switzerland)  
Historically, the micro-credit was developed in reaction to wear, and especially through the churches and the priests. Then, this model developed itself in the years 80 based on the model of the Grameen Bank. Today the micro-credit has been recovered by the international organizations and even by the big banks. With this development, a certain number of fundamental questions comes. Some studies showed that the credits concerning very weak sums tended essentially to create a " more social ". Above all, the credits of more than 5000 \$ create a real economic development. To lend in the interest rates of the market or lower? If the loans are at lower rate than it cost, it means that there is a dependence in relation to external aids. To guarantee an everlastingness, the self-financing imposes itself. To avoid that the local actors pay for prices relatively high for the credits, we can consider that the international help subsidizes this sector. If the rates of pay back are high, it is necessary to note that the different expenses generated by the credit are not always processed. To develop the model of the micro-credit implies a professionalization of this sector. Different models can be applied such the "mutual guaranty" or better yet, the system of the banking guarantee.

## Some recurrent points of the round-table I

With regard to the debt, we can keep that if one often puts the accent on the external debt, it is important not to forget the weight of the internal debt. It is clear that the processes of discounts of the debt must be encouraged. The increase of the interest rates and the programs of structural adjustment entailed particularly devastating processes for the

population and in particular for the most underprivileged. It is necessary not to lose view that a financial reform cannot have any positive effects without a global economic reform, while giving the means for example to develop the SME. In this optics, the micro-credit can contribute to the development. It is necessary not to forget that this shape of credit is expensive. Is it necessary to make the recipients pay it? Does the international help have to subsidize this sector? In another domain, but always in an optics of development, the system of communal currencies represents an experience that deserves to be followed attentively.