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*Message from the International Co-operative Alliance*

**83<sup>rd</sup> ICA International Co-operative Day  
11<sup>th</sup> UN International Day of Co-operatives  
2 July 2005**

*"Microfinance is our business - Co-operating out of poverty"*

Access to finance and to financial services is essential to reduce poverty. Microcredit, or more broadly microfinance is one way of assisting poor and low-income communities gain access to these services. It is changing the daily lives of women and men, improving their living standards and revitalising communities.

This is the United Nation's Year of Microcredit. It is also the year, in which we celebrate the role co-operatives have played in providing microfinance to generations of people. A co-operative approach to microfinance is based on encouraging self-help. It allows people to co-operate out of poverty as well as helping them from falling into poverty.

Co-operatives are amongst the most successful micro-finance institutions. In particular, savings and credit co-operatives, insurance co-operative and mutuals, and co-operative banks have assisted many millions of people to help themselves and build a more secure and sustainable future. Microfinance is not something that co-operatives starting doing in the last twenty years - it has over a century of history.

Savings and credit co-operatives (or credit unions) were pioneered by local leaders such as Friedrich Raiffeisen and Hermann Schulze-Delitzsch in the 19th century as a means to reduce poverty and indebtedness among small farmers and craftsmen in urban and rural areas.

Today, they exist and strive in every region of the world, and have been able to adapt to very different socio-economic environments. Some co-operative banks in the industrialised world have become powerful financial institutions. In fact in many high income countries co-operative banks are often the only banking types with a broad branch network ensuring proximity to clients as well as financial services adapted to the communities that they serve. They provide competitive rates of interest, while taking into consideration local realities.

Credit unions too have demonstrated that they can provide micro-finance services to poor and low-income communities in a sustainable way. Being rooted in local communities and managed by local people, such co-operatives can take advantage of social capital in situations where financial capital is scarce. The role of credit unions in the provision of micro-credit to women is especially noteworthy. For example, access to financial services has enabled women around the world to start small enterprises which in turn have improved the livelihoods of their families allowing them to send their children to school, access health-care and decent housing.

Credit unions are also active in remittance schemes to enable families to access financial resources in a fair and low-cost manner, while offering them financial services suited to their

needs on both the sender and receiver side. Capacity-building in money management, saving approaches and enterprise planning have also proven to be essential building blocks for effective and sustainable co-operatively managed microfinance.

Micro-insurances schemes run by co-operatives provide services such as loan protection, health, life, property and funeral insurance to name only a few. Co-operatives thus protect the assets of members, no matter how small, to ensure that they do not fall into poverty as well as protect their lower-income members.

Co-operatively managed micro-finance institutions enable the poor to pool their resources so that they can be used for productive investments and job creation within a sustainable future. The social control and democratic management style that is proper to co-operatives secure savings even at low levels and ensures repayment of loans. Co-operatives thus provide the women and men with appropriate financial solutions that enable them to collectively work towards improved living standards whether in low-income countries or in the highly industrialised.

On Saturday 2 July, ICA calls on co-operative around the world to celebrate the co-operative movement's proud history of over 100 year's of microfinance services to people throughout the world.

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*The International Co-operative Alliance is an independent, non-government association which unities, represents and serves co-operatives worldwide. The ICA was founded in London in 1895. Its members are national and international co-operative organisations in all sectors of activity including, agricultural, banking, fisheries, housing, tourism, consumer and worker co-operatives. ICA has 222 member organisations from 89 countries, representing more than 800 million individuals worldwide.*