

Using Microcredit to Fight Poverty

In Brazil and India, the Veolia Environnement Corporate Foundation supports microcredit programs for populations excluded from the banking system.

“Inter-Aide’s goals line up with the Foundation’s.”
Bruno Bonfante, of Veolia Water, sponsor of the Inter-Aide project in Pune, explains.

“I’ve known about this nonprofit organization since 1985,” he says. “At that time, Inter-Aide was piloting a health and education program for children from the shantytowns. I recently learned that a grant from the Foreign Affairs Ministry was winding up. If the group received funding from a private source, it would be eligible for continued Ministry funding. I immediately thought of Veolia Environnement. Inter-Aide’s goals line up perfectly with the Foundation’s.”

Pune, south of Mumbai. Here, as in many Indian cities, thousands of people earn their living from microenterprises, from repairing bicycles to embroidering, sewing, fixing shoes, ironing, producing yogurt, selling vegetables or running a small grocery shop. But their income is rarely enough to break the vicious cycle of poverty. However, even small sums of money would allow these individuals to purchase inventory or new equipment, and could thus have a significant leveraging effect. But given their low income, they do not qualify for loans through the traditional banking system. That’s why, the nonprofit group, Inter-Aide, created a microcredit lending program in 2006 to provide a standing loan program in Pune’s poorest neighborhoods.

Conditions for obtaining funding are very flexible. Loans are provided for income-generating activities (with priority given to production activities). Loan amounts are based on the borrower’s repayment ability. Loans may be renewed as often as necessary, assuming the borrower continues to comply with the contract terms. In 2006, Inter-Aide expects to make 11, 280 loans and set up two new offices. They’ll be doing this with support from the Veolia Environnement Corporate Foundation, which has given the group a €30,000 grant.

Background

Microcredit lending was founded in the early 1970s in Bangladesh. It involves offering small short- or medium-term loans to individuals lacking resources so that they can develop income-generating activities. The practice has since gained followers throughout Asia, Africa and Latin America. With the rise of unemployment in Europe, microlending has gained new legitimacy in Western economies.





IN BRAZIL AS WELL...

INITIATED BY TWO YOUNG FRENCHMEN, THE NONPROFIT GROUP "EMPREENDA!" ("UP AND OUT!" IN PORTUGUESE, LITERALLY "UNDERTAKE!") HELPS ENTREPRENEURS IN SAO PAULO SHANTYTOWNS, KNOWN AS FAVELAS, TO MOVE OUT OF POVERTY. SINCE 2003, THE ORGANIZATION HAS MADE MORE THAN 500 LOANS OF €35 TO €1,600, FOR TERMS OF BETWEEN FIVE AND 12 MONTHS. THE ORGANIZATION OPENED A SECOND OFFICE IN APRIL 2005, SUPPORTED BY A € 50,000 GRANT FROM THE VEOLIA FOUNDATION.

To sustain their businesses, Indians borrowers take advantage of management training.