



**Video Statement by Juan Somavia
Director-General of the International Labour Office
on the occasion of the launch of
The International Year of Microcredit, 2005
(New York, 18 November 2004)**

Good afternoon. I am sorry I cannot be with you in New York, but I wanted to thank you for coming together for the launch of the International Year of Microcredit. Susan Davis is representing me today and I'm looking forward to her report on your meeting.

Microcredit is about poverty reduction. And the ILO has a tremendous interest in microcredit precisely because fighting poverty is at the heart of our mandate.

The ILO's Philadelphia Declaration—adopted 60 years ago—reminds us that, “poverty anywhere constitutes a danger to prosperity everywhere”.

Today, more than one billion people in the world are either unemployed or working poor. Not to speak of the unaccounted millions in the informal economy.

This widening gap is creating social tensions and threatening stability. It is probably the most pervasive security threat facing the globe.

Security is not just about shielding ourselves from different forms of violence—it is also about hope and opportunity to move from subsistence to the dignity of decent work.

We must listen to what youth, women and men the world over, are demanding. They are telling us, “give me a fair chance at a decent job”. Indeed, our collective efforts to fight poverty should converge on that objective.

This message came loud and clear from Ouagadougou two months ago, when leaders from across Africa decided to concentrate on employment creation as the sustainable path out of poverty.

And that is the message that, earlier this year, came out of the World Commission on the Social Dimension of Globalization, which put decent work at the heart of a fair globalization.

The review of the Millennium Declaration, the MDGs and the PRSPs next year must incorporate this key link.

So, where does microcredit fit in to all of this?

First and foremost, microcredit creates jobs. It promotes self-employment, livelihood and it helps people expand their economic activities so they can hire others.

Most jobs that are created in the world today are in smaller enterprises—precisely the types of businesses that can flourish when microcredit is made available.

Certainly the successes of microfinance institutions around the world—from Bangladesh to Bolivia, from Uganda to the Philippines—are a testament to the power of microcredit to help people create jobs, for themselves and others.

Microcredit and other microfinancial instruments can also become an important part of the social safety net—helping to create means for savings and insurance so that people have something to fall back on in hard times.

Microcredit also plays a critical role in empowering women. I have seen this myself over and over again.

I have spoken to poor women throughout the world who, by pooling what little they have with others in a microfinance institution, were able to fight injustice and subjugation.

They could now speak collectively a little louder—which is vital especially in the informal economy. Microcredit helped deliver newfound respect, independence, participation in their communities, and in their households.

Finally, the ILO has a special interest in seeing microcredit used to help realize core labour standards.

It can, for instance, help the parents of child labourers generate income so that the children themselves can leave workplaces and go to school.

And it can provide workers who are vulnerable to bonded labour with a range of suitable financial services, so that they don't have to borrow from their employer or lenders and start down the slippery slope to debt bondage.

All of these examples are truly the tip of the iceberg. Microfinance institutions today reach only 10 per cent of the world's poor.

But with your continued commitment, and a determination from all of us to work together, I know we can expand the use of microcredit as a poverty-fighting tool. It is a vital link to fulfilling the decent work aspirations that individuals, families and communities are demanding worldwide.

Thank you.
