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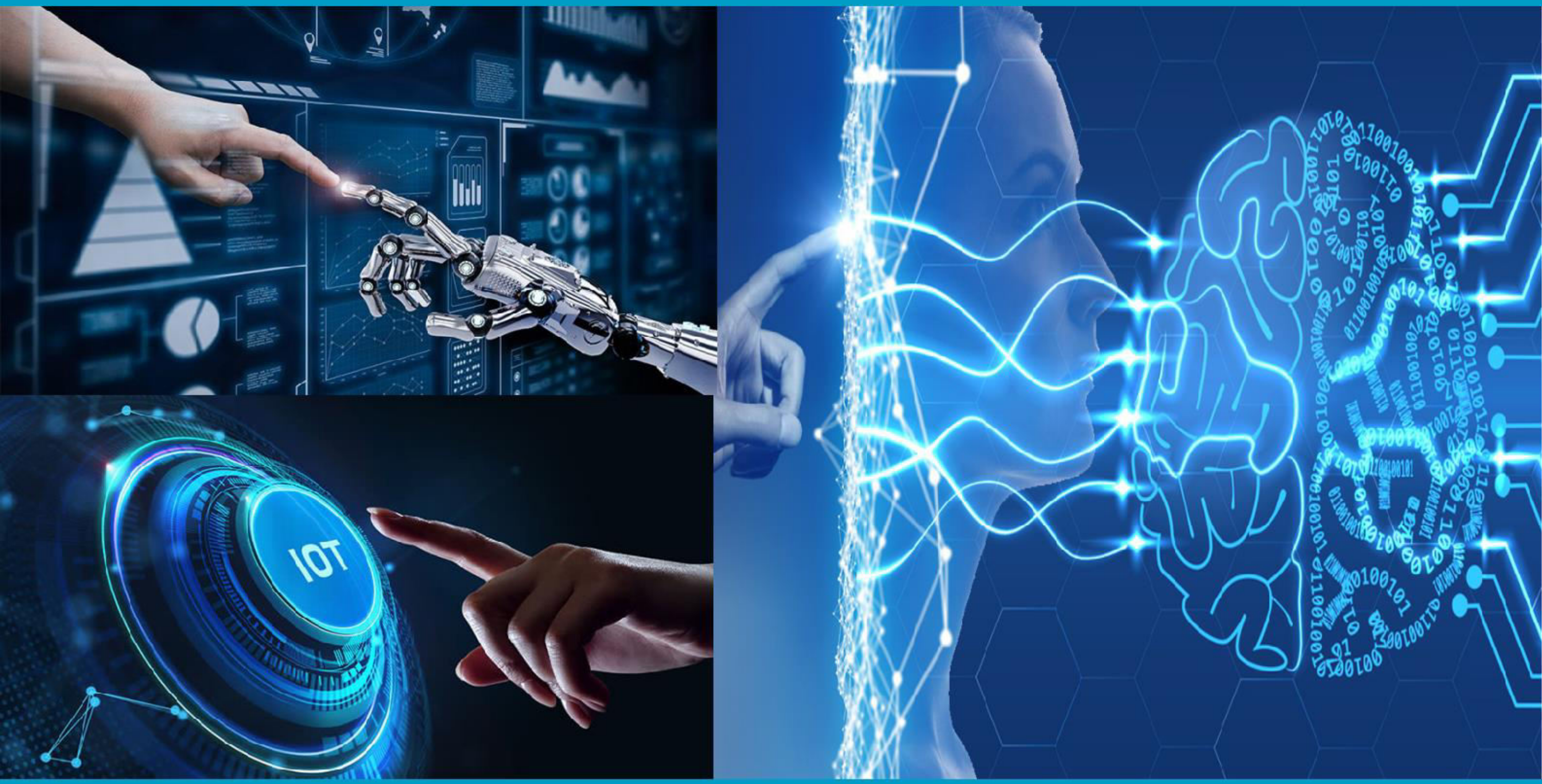

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Role of Microfinance in Promoting Entrepreneurship and Economic Development in Least Developed Countries (LDC$_s$)

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ABSTRACT: This paper describes the development of micro-financial activities in less developed countries in the world. The history of this development is divided into four periods with their short characteristics. Currently, the main questions in each period are highlighted and discussed by experts in microfinance. In the past, these problems were published in many scientific periodicals. It concerns mainly opinions, as for example, if the influence of microfinance on poverty reduction is overestimated, or on the other hand, the analysis related to the position of informal and formal micro-financial institutions, their development and acceleration of transformation, the influence of non-governmental organizations etc. At present, there is discussed the question of the preference-the model of 'charity' or 'business', which is mainly related to the fourth, current development period. For these reasons, this question is intensively focused and analysed. The conclusion of this paper concerns just this area which is fundamentally related to the future development of microfinance as a factor of poverty reduction in the less economically developed regions in the world.

KEYWORDS: LDCs, Economic, microfinance, entrepreneurship, countries

I. INTRODUCTION

Multiple global crises, the climate emergency, growing debt burdens, dependence on commodities and declining foreign investments into LDCs have strained their finances, jeopardizing their progress towards the Sustainable Development Goals (SDGs), including a low-carbon transition.

The upcoming Loss and Damage Fund, set to debut at the 28th UN climate change conference (COP28), could be a game changer if LDCs are among the main beneficiaries, enough resources are available, and disbursements are swift.[1,2,3]

But their financing requirements go far beyond climate concerns, encompassing broader economic and social challenges. The report calls for a lasting, multilateral solution to the debt crisis in these countries and for the mobilization of both the development and climate finance they require.

It also underlines the pivotal role domestic agents can play, particularly central banks, in enhancing the mobilization of national resources and steering financial flows towards a green structural transformation in these countries.

The Least Developed Countries Fund (LDCF) was established to support a work programme to assist Least Developed Country Parties (LDCs) carry out, inter alia, the preparation and implementation of national adaptation programmes of action (NAPAs).

The Global Environment Facility (GEF), as an operating entity of the Financial Mechanism of the Convention, has been entrusted to operate this Fund through decision 27/CP.7.

The Conference of the Parties (COP), at its eleventh session, agreed on provisions to operationalize the LDCF to support the implementation of NAPAs, providing guidance with regards to priority areas, and provisions on full-cost funding and a co-financing scale (Decision 3/CP.11).

Recent Developments
COP 22:
COP 22 welcomed the annual report of the GEF to the COP and its addenda, including the technical review of the programme priorities of the LDCF.

The COP also welcomed the conclusions of the program evaluation of the LDCF by the GEF's Independent Evaluation Office.

The GEF, as the operating entity of the Financial Mechanism of the Convention entrusted with the operation of the LDCF, was requested to continue to enhance capacity development in the LDCs for the development of project proposals with a focus on identifying potential funding sources, both national and international, and enhancing long-term domestic institutional capacities.

The COP further encouraged the GEF to continue to track, review and report on sustainability of project outcomes from the LDCF and SCCF.

COP 21:
COP 21 encouraged additional voluntary financial contributions to provide support for the national adaptation plan process through contributions to the LDCF and the Special Climate Change Fund (SCCF).
In addition, the COP requested the GEF to carry out a technical review of the programme priorities of the LDCF, taking into account the independent review conducted by the Independent Evaluation Office of the GEF, on, inter alia:
1. Undertaking pilot concrete climate change activities that are particularly relevant for the LDCs;
2. Enhancing longer-term institutional capacity to design and execute the activities referred to under (a) above.

COP 20:
COP 20 welcomed the increased allocation and disbursement of funds to LDCs under the LDCF and noted with appreciation the additional contributions by Parties to the LDCF. It also noted that the LDCF has financed the preparation of 51 NAPAs, of which 50 have been completed, and has approved the funding for 159 NAPA implementation projects and for programmes in 48 LDCs (as at 3 December 2014).

COP 20 requested the GEF:[4,5,6]
- To share, in its next report, lessons learned and progress made in its pilot accreditation of GEF national project agencies;
- To enhance communication with its implementing agencies and to encourage its implementing agencies to enhance their communication with countries to facilitate a timely implementation of other elements of the LDC work programme including NAPAs.

In addition, COP 20 invited the GEF:
- To continue to support the remaining activities contained in the LDC work programme;
- To include, in its annual report to the COP, information on specific actions that it has undertaken to implement the remaining elements of the LDC work programme, including the updating and implementation of NAPAs, with a view to the COP determining, at its twenty-first session, appropriate further guidance to be provided to the GEF.

Developed country Parties and other Parties in a position to do so were encouraged by the COP to continue contributing on a voluntary basis to the LDCF in order to support the implementation of the LDC work programme.
Key Documents

GEF Operational Guidelines for Expedited Funding for the Preparation of National Adaptation Programs of Action by Least Developed Countries, April 2002	
GEF Programming Paper for Funding the Implementation of NAPAs under the LDC Trust Fund, May 2006	GEF/C.28/18
GEF Results-Based Management Framework for LDCF and SCCF, October 2008	GEF/LDCF.SCCF.5/3
EF working document: Implementation of Results-Based Management Framework under the LDCF and SCCF, November 2009	GEF/LDCF.SCCF.7/4
GEF Updated Handbook for conducting Technology Needs Assessment for Climate Change November 2010	

GEF publication on Accessing Financing under the Least Developed Countries Fund, May 2011	click here
Program Evaluation of the Least Developed Countries Fund, September 2016	click here

II. DISCUSSION

The Covid-19 pandemic has exacerbated the challenges Least Developed Countries (LDCs) face in accessing vital trade finance, as many have seen their local dollar liquidity shrink while foreign banks take a dimmer - and not always accurate - view of emerging market risk. Development banks, international organizations and LDCs themselves are however working to bridge the trade finance gap by improving product knowledge, mitigating compliance risk and investing in digitization.

LDCs have long been disproportionately impacted by a global trade finance gap that the Asian Development Bank estimated in 2019 exceeded $1.5 trillion. Many, including the WTO, believe this to have widened since. A recent report by the African Export-Import Bank (Afreximbank) confirmed that in the first four months of 2020 around 38% of local banks in Africa reported rising rejection rates for trade finance instruments like letters of credit while more correspondent banking relationships were cancelled.[7,8,9]

LDCs are particularly vulnerable to global shocks, such as financial crises or the current pandemic, which either weaken international banks' risk appetite or trigger a surge in competing financing demand from other countries. This is in part because LDCs must effectively "import" such finance from foreign banks. Low savings rates in LDCs mean local banks usually have only small deposit bases from which to lend.

The pandemic has also hurt many LDCs' exports and remittances, shrinking their access to US dollars - a currency required in 80% of global trade transactions. A deterioration in many LDCs' sovereign risk during the pandemic, as lockdowns eroded GDP and increased external debt, also impacted lenders' perception of their private-sector risk. This has made it harder and more expensive for LDC companies, and especially SMEs, to secure trade-related credit lines.

Funding and guarantees

Multilateral development banks (MDBs), development finance institutions (DFIs) and international organizations have rallied to support trade flows through the crisis with a string of coordinated trade finance facilitation programmes. For example, the World Bank's International Finance Corporation (IFC) stepped forward with $2 billion in funding and risk-sharing via its Global Trade Liquidity Program and Critical Commodities Finance Program. Its Global Trade Finance Program tabled an additional $2 billion to cover financial institutions' payment risks to encourage them to offer trade financing, especially to SMEs.

In March 2021, Afreximbank approved a $3 billion Pandemic Trade Impact Mitigation Facility (PATIMFA). This was on top of the $1.5 billion pandemic response facility (COPREFA), offering direct funding, guarantees, documentary credit confirmation and cross-currency swaps to African firms, commercial banks and central banks.

WTO Director General Ngozi Okonjo-Iweala acknowledged in May however that the estimated $35 billion provided by MDBs over the past year will merely dent the global trade finance gap. She stressed the importance of trade finance for LDCs and urged WTO members to accelerate efforts to develop a dedicated trade finance work programme.

Investing in expertise

Plugging knowledge gaps around trade finance and its various instruments is crucial to helping improve LDCs' access. Several trade finance facilitation programmes therefore include technical assistance components that extend training to trade finance professionals at banks in low-income countries.

In October 2020, the Enhanced Integrated Framework (EIF) also joined a renewed alliance between the Islamic Trade Finance Corporation (ITFC) and the International Chamber of Commerce (ICC) Academy, which offers training and certification for trade finance professionals. The alliance funds the cost of training for representatives from LDCs, with graduates so far hailing from Rwanda and Bangladesh.

In many developing and developed countries it can be difficult to identify specific impediments to trade finance. LDCs could therefore benefit from trade finance being included in the EIF's Diagnostic Trade Integration Studies (DTIS) and incorporated into countries' trade development strategies from the start.

This is currently only done if LDCs request it, and although interest is growing among Asian countries - with trade finance diagnostics successfully completed for Myanmar and Cambodia, for example - African nations have been slower to take advantage of the opportunity.

Strengthening compliance
Bolstering awareness of regulatory requirements around know your customer (KYC), anti-money laundering (AML) and combating the financing of terrorism (CFT) among trade finance providers in LDCs and other low-income countries is also important for reducing the likelihood that international banks will "de-risk" out of emerging market trade finance.
A joint publication by the WTO and IFC showcases the efforts of several agencies in this area. These include the running of workshops aimed at promoting tools to make compliance more effective and less costly for local banks, to disseminate broader good practices in trade finance, and help them attract new correspondent banks. Countries benefiting from such workshops include Djibouti, Ethiopia, Liberia, Rwanda and Zimbabwe.

Compliance is also a key focus for Afghanistan. Following an overhaul of the country's regulatory frameworks around AML and CFT, partly supported by the World Bank and WTO, Afghanistan graduated in 2017 from the Financial Action Task Force's "grey list" of jurisdictions with deficiencies in these areas, notes Ajmal Ahmady, Governor of Da Afghanistan Bank, Afghanistan's central bank, and previously Minister of Commerce and Industry.

It continues to prepare for a follow-up "mutual evaluation" in 2021 that Ahmady hopes will demonstrate to correspondent banks that Afghanistan is a safe place to do business, so help [10,11,12]expand the country's nascent trade finance market.

It is important however to strike a careful balance, ensuring regulatory rigour - for example, around KYC and mobile money transfer limits - does not create administrative hurdles or disincentivize the formalization of trade in LDCs, Ahmady cautions. "If you have to submit your passport for a $1 transaction, I think most people would agree that's over-zealous."

Payments Digitization
LDCs also need support from organizations like the WTO to develop trade finance products that incentivize companies to finance trade through formal banking channels, Ahmady adds.

Although Afghanistan's trade remains mostly cash based, with minimal trade finance support so far, it has invested in a digitization push that Ahmady believes will help change this. Having spent the last year tackling technical hurdles associated with integrating banks and mobile companies into the country's mobile payments system, he expects electronic transfers to significantly increase over the coming year and beyond - and for this to facilitate the formalization and financing of trade.

While previously a trader at the border would have to take his Customs invoice to a central bank branch to make the payment, "because we have now connected all the banks with the central bank electronically, that person can now go to any bank to make a payment for a Customs invoice," he notes. "The next step will be then allowing him to make payments via his phone for that invoice or Customs payment directly to the Ministry of Finance. Those are the capabilities we're working on."

For Afghanistan to next tap opportunities in domestic and cross-border e-commerce, websites and shops must be able to accept payments online. This will only happen once merchants are able to spend money in the system rather than immediately cashing out. Such payments and digitization reforms will over time significantly improve trade finance opportunities for exporters, Ahmady believes.

III. RESULTS

Micro-finance has existed in several forms for ages, and even longer in Asia, Micro-finance was present in traditional lending and borrowing between individuals. Nevertheless, modern Micro-finance has been introduced in the mid 1970's in Bangladesh by Dr Mohammad Yunus professor of economics at the University of Chittagong (Planet Finance Group, 2015).

More than 30 years after the introduction of the revolutionary tool to reduce poverty in the world , there is a lot of debate about the subject .Indeed , there is a lot of controversial about the success of Micro-finance in the world .There was some success stories but also some failures seen in several countries in the world . What are the reasons of these failures? Does Micro-finance really help to fight poverty in the world? How a sub-Saharan African country such as Burkina Faso can learn from the failure of micro finance in Asia and other countries in Africa?

1. Types of poverty
Since Micro-finance have been created to tackle poverty in the world it is important to define poverty and understand the different types of poverty. According to the World Bank Organisation, the most frequently used way to size poverty is based on incomes. An individual is categorized as a poor if his or her income level falls under some minimum level necessary to meet basic needs (nutritional needs, health needs, housing needs etc.). This minimum level is generally called the "poverty line". However, what is required to satisfy basic needs can vary concerning the type of society and different countries. Therefore, poverty lines differ in time and place, and each country uses lines which are suitable to its level of development, social standards and values (BBC, 2014). For example, in the UK, in the period of 2011 and 2012, a single adult was said to be poor if his income was £128 per week. This is calculated in regards to the living standards in the UK .In some parts of the world, such as the Sub-Saharan region, there is a high rate of people living under $1.25 a day (World Bank, 2013) .The contrast is easily noticeable. In the following lines let’s go point by point explaining different types of poverty.

a) Absolute poverty
This can be defined as the extreme type of poverty .This poverty is characterised by the impossibility to satisfy basics survival needs such as food , clean water , housing and security . As a result, there is a high presence of epidemics such as Malaria, Cholera. For instance, in 2014, there was an outbreak of the Ebola virus in the west part of Africa which continues to kill a lot of victims .Poverty is in one way or the other related to this outbreak because of the lack of hygiene. In fact, absolute poverty is most present in least developed regions. In the Sub-Saharan region of Africa, according to the World Bank (2011), 46.8% of the total population of 936.1 million are living with $1.25 a day.

b) Relative poverty
This type of poverty depends on a comparison between friends or household in a community .In some societies, some people are considered to be poor if they can’t afford to go on holidays for example .This type of poverty is usually seen in developed countries such as United Kingdom, France …

c) Transition poverty
This type of poverty is temporary and is caused by a situation which can be solved or has happened and put households in mitigating circumstances. We can cite natural disaster such as the earthquake that happened in Haiti in 2010. A large part of the poor lost their houses and all their belongings, but as soon as they gain help from the authorities, most of[13,14,15] them will be back on track.

d) Chronic Poverty
this type of poverty can be compared to absolute poverty , because , chronic poverty is also transferred from generations .It is complicated to get out of poverty when there is no chance to make things different .Let’s say that a family cannot afford to send their kids to primary school , these kids will grow up illiterate and also might do the same occupation of the parents and the sequence will continue .But fortunately Micro-credits have been introduced have for main objective to bring households out of poverty . .Micro-finance have a better effect when customers use the funds for a market type of economy .The following paragraph will be focused on defining and contrasting Market economy to subsistence economy .

1. Types of economic activities
Economy is characterised as all the production, distribution and consumption of goods and services in a society .Concerning the type of economy that poor people are performing, 2 types can be distinguished: First of all, we have the Market economy which is characterized by the need to maximise profit and gain in all the activities of production, distribution of goods and services .In the present study, the principal indicators of the market economy is indeed the loan. The market economy encourages the ability to repay the loan on the schedule repayment, be able to avoid using the loan for household consumptions and finally create savings to reinvest in other economic activities.

However, subsistence economy does not take in consideration the growth of the capital .the main characteristic of this type of economy is primarily to focus on satisfying the basic needs of the household which as food security and health

.And the loan is used in the household expenses, which makes loans repayment impossible and customers end up in bad debts.

2. Barriers to Micro-finance

The first objective of this study will be to determine the problems of microfinance in Africa .The continent have to learn from the mistakes of the previous examples such as India , Pakistan in order to avoid going through the same path and have a better control on the subject .Indeed in India , microfinance was introduced to help reduce the level of poverty and boost economy .Nevertheless , according to CCN (2011) , the work of microfinance institutions , which provide small loans to poor people with no access to formal banking services, has come under inspection when an epidemic suicide vague in the Indian province of Andhra Pradesh was linked to borrowers' inability to repay their loans. It becomes delicate when the poorest populations have to repay an interest rate up to 30%.In some cases; some individuals end up taking other loan to repay the previous loan, which does not really help and the borrower end up being is a vicious circle.

In 2010, a study have been conducted on the sub-Saharan region of Africa by some researchers of the (IOE) University of London Institute of Education and , University of Johannesburg , their research showed that in some cases , microfinance succeed in improving the lives of deprived people also improving their food security and give them access to health and housing (Kermeliotis,2011).In the same time , the author of the report "What is the impact of microfinance on poor people?" ,were defending the opposite idea. For Stewart (2010), microfinance fails to improve the lives of populations, and it even makes them poorer .For the simple reason that deprived populations, most of the time needs the funds for a day to day consumption instead of investing in their businesses .And the result, is that their businesses are failing to make enough profit to repay the high interest rate.

Some further studies have been done in Malawi, Ghana and Kenya, which shows the presence of an informal source of finance .Those lenders, can be family relatives, or finance via saving rotation. Finance by rotation is an traditional way of borrowing , which is most of the time practice by women in poor societies .All the participants collect an exact amount of money that they will give to a member of the group .they set a period of time when the collection is done , when everyone have to bring her contribution. At the next meeting, another women benefit to the total amount of money collected .all women have to benefit at least once and then the circle starts again. This practice helps a lot women but it is not safe because they can easily lose their contribution if one person in the group decided not to show up or have difficulties to raise the contribution amount at the right time.

The sub-Saharan region of African is[16,17,18] where the most Microfinance activities are regrouped. This region, have the poorest people in the world, where only 5% to 25% have access to financial services. The region is substantially underserved by Microfinance, with only 2% of the world Microfinance institutions. MFIs are present in the main cities or rural regions, but some further regions are still not covered. There are plenty reasons not allowing microfinance institutions to cover all the rural zones .Poor families in need of micro credit, will have to travel to the smallest village in order to have access of this financial service .The blame is not for the MFIs, but it is important to understand that there are some obstacles to Microfinance institutions .For example; the lack of developed infrastructures such as bad road, which unable to commute easily to some regions. Furthermore, most rural regions are not covered neither with electricity, nor landlines, which makes communication quite impossible.

Referring to Burkina Faso, the same barriers are still recurrent. According to the (Ministry of economy and Finance (Burkina Faso)2012) , the solution to the Micro-finance institutions is to set up a better financial institutional system which needs to be more efficient and more attractive .In Burkina Faso , like in other sub Saharan countries , women have more access to financial micro-loans .For the simple reason that they are seen to be more responsible than men and are more reliable .In Burkina Faso , the old Fashion culture of Women staying at home taking care of the household is still recurrent .The fact that they have now access to Micro credit , gives them the chance to set up they own small business and gain more empowerment .Women and men have different experiences with work and entrepreneurship because a gender division of labour in most cultures assigns men to paid work outside the home and women to unpaid labour in the household. Susan et al, (2004).One of the main problems is that the majority of women are not educated. According to Scholastique et al, 2005, only 8.1% of the women above 15 years old in Burkina Faso were literate compare to a rate of 18.5% of men in 2005.The fact that they are not literate makes it difficult for them to understand the terms of the credits they are being offered .Therefore they most of the time end up with a product, not suitable for their needs or even a product, they doesn't really need .Women are also facing a problem to provide a warrant for their loans. The fact that husbands have the exclusive control on all the property of the household makes it hard for women to get hold of any property.

Another barrier to Micro-finance is the political instability, for Example in some areas in the Middle East; some entrepreneurs have to stop their micro-finance activities because of the recurrent closing of the borders. These reduce the entry of raw material in the country and also reduce the purchasing power of the citizens.

3. Causes of Micro finance crisis

To understand the failure of micro finance in some societies, it is important to understand the reasons that led to this failure. It is true that microfinance still have a long way to go to show that it is a good tool to fight poverty. But for now in some countries, populations do not want to hear from micro finance, just for the simple reason that simple loans turned into series of nightmares. In India micro finance crisis has received the most attention with the media, but unfortunately it was not the only economy that was struggling from micro lenders .It was the same situation in Morocco, Bolivia, Bosnia and Pakistan. What have these countries have in common that led to MFI bubbles?

- Too much credit and investment goals

At the beginning, loans were given to the people that really needed the money to start up a lucrative activity or to expand their businesses. But the problem started when microfinance became more popular and successful. Other financial institutions saw micro finance as an opportunity to be more profitable. This led to an oversupply of credits to fill the large demand of loans. Therefore , loans where given easily without selection , to borrowers that used the loans for personal needs such as paying for a weeding or to repay a previous loan .Most of the time , loans were made at an higher interest rate than the normal financial lenders .“I took out four loans,” said Asmita, a woman from Zareen’s village. “I had to marry off my daughter and repair my house, so I had to raise funds for that. When I could not pay the loans back, the lenders asked me to mortgage the house to raise money. They used to come and sit at my home asking for dues.”(International Business Times, 2013).

Hugh Sinclair a British author declared that the microfinance sector have been hijacked by profiteers. He wrote a book about the fact that micro-finance nowadays instead of helping the poor, is more focused on maximising the returns they can make on tiny loans. Hugh Sinclair in his book, clearly explains how a good idea is ruined over the greed of maximising profit .This same idea of maximising profit, was the same mistake that led to the 2008 financial crisis. It is surprising to see that most of the prestigious banks are part of the receivers, such as Citibank, and Deutsche Bank. Yunus Mohammad declared at the United Nations, that Micro-finance was created to fight loan sharks, not to create new loan sharks. Regarding the issue about the controversy about microfinance help reduce poverty; Hugh Sinclair says that Micro-finance does not need more evidence to show that it works .It is obvious that it works because the poor repay the loans and that is the only proof that the financial sector needs to keep going.

- High interest rate

One the main problem of micro-finance is the high interest rate charged by institutions. Usually the loans come with extras charges hidden with heavy interest rates. It is quite impossible to find interest rate less than 30% a year. More common rates are 100% a year or even more (The Telegraph, 2012).Micro-finance interest rates are made to allow the long term financial supply in a larger scope .IMF have to charge interest rates that can help them cover their administrative fees, their cost of capital and also cover the lost made by bad debtors .A MFI that are not following these principles can only be operational for only a short period of time.

The high interest rate charged by Micro-finance[19,20] institutions have created a debates in a lot of countries about putting a ceiling on the interest rates .It is important to understand that putting a ceiling on interest rates will not be necessarily profitable for the poor .This will force the Micro finance institutions to increase the average amount of loan and this will be an disadvantage for the most deprived .Furthermore , commercial banks that are mainly present in urban areas will stop expending to more rural areas where the most demand is concentrated .

- Mixed evidences

Micro-finance is a really interesting debate, it is hard to take position but both sides of opinions have to be taken in consideration. For instance , in Africa especially in Burkina Faso , Micro-finance is seen as the solution to eradicate poverty .I had the discussion with couples of persons in Burkina Faso , but they are all convinced that Micro-finance works well .Maybe because they did not do enough research or does not know anything about Micro-finance in other countries .Another factor to take in consideration is , the fact that they only have Micro-finance to help them .How to decline help , if it is the only chance you have . this comes to a question of choice .In Africa like in other poor regions, the poor do not have a lot of choices to have access to loans in order to develop themselves .With a low rate of education, loans are given to populations without transparency .The poor contracting the loan will not be aware of the terms and conditions fully. This is the situation in Burkina Faso , but surely people have a different opinion in others country such as Morocco or South Africa .For instance , South-Africa is maybe one of the most badly affected by the entrance of Micro-finance in Africa . The most micro-finance oriented problem in South-Africa is that most customers had already bad debt. In South-Africa, half of the 19 million active customers are 3 or 4 months areas with their loans repayment (Bateman, 2012e).

- Repayments start quickly

Most Micro-finance institutions necessitate that borrowers start repaying their loans almost immediately. After the loan has been given, the repayment starts week after. This does not allow enough time to get a return on investment, and obviously loans given to poor communities are most of the time allocated to Micro businesses with makes small profits. Even though economy theories recommend that more flexibility on loans repayment are helping borrowers accrue the borrower repayment ability .Besides Micro-finance institutions need fast repayment in order to guarantee loans availabilities to new borrowers . There is a frequent collection of repayments weekly by loans officer to avoid default of payment and delinquency .But unfortunately this boost the Micro-finance institutions transactions fees .The solution would be to have to background checks and a proper hold on the customers information to allow them to have more flexibility to repay and more time to invest in long term activities.

4. Why do Micro-finance institutions charge high interest rates?

As discussed above , interest rate is a huge determinant factor in the financial sector .It is important for financial institutions to set the right interest rate in order to cover not only their cost but also make enough profit to keep the business running . In this section, the main emphasis will the understand the different component of the Interest rate and try to justify the why Micro-finance institutions need to charge high interest rates.

EXAMPLE: The case of Morocco

Morocco is a good example to take in consideration when it comes to Micro-finance. The Kingdom of Morocco is situated in the north of Africa with a total population of 36.2 million (UN, 2012) and with a GNI per capita of $ 2.97 (World Bank, 2011) .Morocco had the most performant Micro-finance institutions in the world .From 2003 to 2007 there was an outstanding growth of the micro finance sector .The micro-finance portfolio in 2007 worth 11 times more than the one in 2003 and the customers numbers also multiplied by 4 .(Reille ,2009) . This extraordinary growth was possible because of the help of the Moroccan government and also the fund of the ministry of finances of morocco.

Unfortunately, it was too good to last long, in 2007 the rate of default repayment start rising and also the rate of borrowers contracting multiples loans started to be noticed .Micro-finance institutions were more concentrated in the 3 big cities (Fez, Casablanca and Marrakech) .Moreover, Morocco had a low credit risk rate, the lowest in the world in 2003 0.42% but regrettably this rate escalated considerably to 1.9 in 2007. (CGAP, 2009)

The causes of this crisis also have something to do with the 2008 financial crisis .It is important to know that financial crisis affect also the poor .For example , the rise of price of food have an impact on the poor . Beside the financial crisis, the Moroccan Micro-finance institutions had some obsolete information management system which does not allow them to have a full control .Micro-finance institutions start going after each other, the concurrence created some practices that became a handicap for the sector. Many of the MFIs start giving out loans without prior profound checks on the ability to repay just to attract the maximum of customers.

To respond to this crisis, the Moroccan government decided to strengthen the Micro-finance institutions, and also making them more transparent. $ 46 US million where given to the Moroccan Micro-finance institutions from the account of Millennium Challenge Account in order build a better information management system .This system will help prevent customers contracting multiples loans and also control repayment defaults .Additionally , the government proposed to the MFIs to make some partnership with banks in other to be more powerful and diversify .Further studies were made in order to find the strengths and the weaknesses of the MFIs and bring some solutions to make it stronger .

This series of actions made by the Moroccan government helped to give back confidence to the MFIs .With a spirit of confidence, the MFIs will still be operational to provide some affordable loans to the poor in Morocco.

5. How Micro finance institutions in Sub-Saharan Africa can inspire from Asian?

It is true that Micro finance first objective is to help the poorest .But lately some facts have shown that micro finance does not always do good to the borrowers .In sub-Saharan Africa, Micro finance is developing fast .MFI have to be careful and learn from Asians Micro finance problems .Indeed, micro finance is well developed in Asia in some countries like Pakistan, India. Lately the Micro finance sector has been receiving critics arising from Analysts, researchers and individuals. In the past, India's Micro finance was seen as a saviour for the poor and also a good opportunity for investors. for Instance ,In July 2010 , the Loan book of one of the biggest loan company of India, KS was revealed with $1.2 billion and the $350 million offering was more than 13 times oversubscribed (The Economist, 2013).

A lot of people in the Micro finance industry admitted that the huge growth encouraged irresponsible lending to the deprived Indians. Unfortunately, the fact that some borrowers find themselves in a vicious cycle of taking a loan to cover up another loan ended up in some series of suicides .The region of Andhra Pradesh have seen huge amount of farmers committing suicide .According to (BBC News ,2010) , the majority of deprives that have taken micro loans live in the state of Andhra Pradesh , this is approximately more than the third of the 30 million households with micro credits and also the mainstream is composed of women .The reason is very simple; some MFIs in the region were looking for an easy way to achieve growth by loosening the loans standards. It was now easier for farmers to contracts several loans from different MFIs actors of the regions. The program which was supposed to be helpful for the most deprives in India turned to be a disaster, and has caused the Micro finance crisis in India.

Furthermore, Indian Micro finance sector is not the only that suffered from a crisis .Further research directed the study to the Moroccan Microfinance sector .Indeed , according to (Microworld.org, 20013) , the Moroccan Micro finance sector was the largest in the Maghreb region and also in the middle east .The sector has seen an incredible growth between 2003 and 2007 with approximately $1.35 million in assets in December 2007 .At this period , the credit risk rate was still at 2.3% , which was still acceptable .But unfortunately , the credit risk rate did not take long to rise by 0.4% which created the beginning of the crisis in Morocco. The credit risk rate kept growing, at one point that all investment had been stopped .The direct result was characterised by a lack of payment received by borrowers all exempted to penalty fees and also borrowers some borrowers end up accumulating multiples loans with different MFIs just like in India .

As discussed above, today it is difficult to say that micro finance is helping the poor. Micro finance has failed in more than one country .Lets take few more cases of failure before elaborating the reasons of this failure.

In Cameroon, micro finance has been named in French “le secteur à problème“, which means the problematic sector. In Cameroon less than 5% of the population are using the classical banking system (Leblanc-Justin, 2011).

6. What can Micro-finance do for Africa, and how can it succeed?
When Micro-finance is properly operating, it can create a variety of benefit for the African communities .it can help reduce the material poverty, the physical lack of goods and services and also help to acquire the income to attend them. The benefit is not only for household, because it can be transferred from the household to the whole communities. The Sub-Saharan African (SSA) economic performance is associated to savings and investments .But unfortunately there is a slow growth due to the poor capital accumulation .The performance of saving can be assess firstly by doing a comparison to the other regions of the world with approximately the same size .for instance , in 1980 Africa had a gross domestic saving of 8% while in south east of Asia and new industrialized countries such as Singapore , Taiwan had respectively 23% and 35% (United Nations ,Unknown).[18,19,20]

Furthermore, there is a discrepancy between actual performance and planned performance in Africa. If we use of the two-gap model it shows that the targeted regional savings rates of 16.6% in1995 and 20% in 2000 was needed to achieve a complete economic growth of 5% in Africa by 2000. Up to 1998, the achieved average saving rate was not close to the expected target. (Calgagovski et al., 1991). The performance of Micro-finance institutions can be evaluated by their outreach to the poor and also their self-sustainability. There is also some factors can have an effect on their performances such as political, social and technical. It is also important to do an approach between the old school and the modern microfinance systems.

IV. CONCLUSION

Responsibility, in their Micro-finance outlook 2014, declared that countries such as Brazil, Russia, India, China and South Africa known as the BRICS, even though they are developed and financially well integrated will still perform worse than developing countries .(responsibility,2014) .In 2001 UNDD Africa put in place a plan to help Micro-finance succeed in Africa. This plan was suggesting to Micro-finance institutions to:
- Pulling together the populations capitals
- To do things according to the traditions
- give more viability to the African private sector
- promote efficiency and teach better working habits

In 2002, the same plan was introduced to the French speaking countries of Africa.[20]

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