

We asked Dr. Fazle Hasan Abed, chairperson of BRAC, to lead a forum in Japan aimed at increasing awareness of microfinance on 27 October 2009. BRAC, the world's largest NGO, has been working to eradicate poverty throughout Asia and Africa. Before the forum, President and CEO Shigeharu Suzuki and Dr. Abed talked about microfinance projects.

Facilitator:

Kiyoshi Kasahara

Vice President of Rikkyo University



Stakeholder Dialogue 1

New Ways to Help Eradicate Poverty

Dr. Fazle Hasan Abed

Founder and Chairperson, BRAC
and honorary doctorate from Rikkyo University



Shigeharu Suzuki

President and CEO, Daiwa Securities Group Inc.

Working to raise awareness of microfinance

Abed: Since the 1970s, BRAC has worked to eradicate poverty and empower the poor in Bangladesh as well as throughout Asia and Africa. Around 20% of our US\$700 million budget for 2009 came from donations, but most of our revenues were generated by our various activities and projects.

Of such projects, our core activities include a microfinance initiative which provides small-scale loans without requiring collateral.

Charity alone is not enough to encourage a person suffering from poverty to take pride and lead an independent life. However, if that individual, say, borrows some money, buys a sewing machine and fabric, and earns enough to live on from what he or

she makes, it then becomes possible for that person to support his or her family.

Suzuki: The whole idea of extending loans without asking for collateral is unheard of in the conventional banking industry. However, it's astonishing that the repayment rate on these loans is extremely high. I think microfinance is a wonderful way to help empower those suffering in poverty.

Our Microfinance Bond project was our first attempt to raise funds in Japan for these microfinance activities.

We hope that such work on our part helps support microfinance projects targeting those with low incomes or in poverty, who may lack access to conventional banking services. We are glad to be part of efforts to

reduce the number of those in poverty, said to be around 4 billion.

Abed: I believe it's especially meaningful that you are helping to address social problems such as poverty through your mainstream business. I hope that your project helps to raise awareness of microfinance among Japanese people.

Suzuki: Our firm is committed to the sustainable development of society and the economy through our participation in the capital and financial markets. We are glad to be serving as a bridge between microfinance institutions and Japanese investors. Awareness of microfinance in Japan is still low, so we hope to keep our investors informed of such initiatives through programs such as the *Daiwa Microfinance Forum 2009*.

The social significance of Microfinance Bonds

Abed: In my opinion, it's important to measure the performance of microfinance programs like ours by how much people's lives have improved, and not just by how many cases we've handled or the amounts loaned out.

With the launch of our US\$75 million microfinance fund in January 2009 in Tanzania, Uganda, and southern Sudan, we have brought microfinance to regions that previously had no access to such services.

Meanwhile, BRAC Bank, our commercial banking operations in Bangladesh provide unsecured loans of \$15,000-20,000 to SMEs*.

Such loans have given rise to a number of entrepreneurs, resulting in job creation, and consequently boosting the country's economy. We think it is a wise choice to support such entrepreneurs, who are helping to create new employment, while large corporations are cutting staff.

Suzuki: In that respect, I am proud of the important social role our Microfinance Bond project has played in such efforts. We consider the bonds to be attractive financial products, as they offer a financial return on



Dr. Fazole Hasan Abed

Born in Bangladesh in 1936. Educated at the University of Dhaka and University of Glasgow. Served as finance director for Shell Oil in Chittagong and made efforts to bring an early end to Bangladesh's war with Pakistan while based in London. Following his native country's independence, Mr. Abed established BRAC in northern Bangladesh in 1973, hoping to address the deep poverty afflicting the country. Over the last three decades, BRAC has worked to eradicate poverty throughout Asia and Africa.



investment as well as a social return. On the sales front, these bonds offer our staff an opportunity to explain to clients the social significance of these products and the rationale behind microfinance. It is an honor for our sales staff to be part of these meaningful efforts.

Helping to address social problems through our mainstream business

Suzuki: The Daiwa Securities Group has been in existence for over 100 years. Companies remain in existence only because society at large believes they are contributing positively in some way. It's important to pursue profit while keeping in mind the public interest, and not get carried away with just making money.

Abed: I completely agree. To see what happens when profit is placed above all other motives, one has only to take a look at the recent financial crisis that has swept over the developed countries, starting in America. I think we should learn from this example and reflect on ways we humans can realize a sustainable existence on this planet.

Suzuki: Indeed. I believe a company is a public entity and part of the broader social infrastructure. A company's business model is unsustainable if it fails to keep in mind the interests of the greater society. In the past, we've underwritten financial products, like our Vaccine Bonds, that help address social problems. These products allow us to do our part to help society through our main line of work and enable investors to participate in such efforts through their investments. At Daiwa, we are looking to pave the way for a new era in which products we actively promote allow financial institutions like ours to fulfill our role in the public sphere.

* SME: Small and medium-sized enterprises