

## **November 14. Opening Day of the Global Microcredit Summit in Valladolid**

There is a great sense of febrility and a sense of significance. Of historical significance as everyone feels that many of the topics being discussed have the potential to transform the lives of the poorest on the planet.

Of course, first among the speakers that everyone has come to hear is Muhammad Yunus. An impressive human being (met at 2 am yesterday at the front desk of the hotel as he was arriving from Berlin, he appeared as fresh as he was this morning), he is not only one of the founders of large scale microcredit, but he a testimony of its lasting power. He was there in 1997 at the launch of Microcredit Summit campaign when only 8 million people had access to credit, and he is there as 138 million very poor families now have access to credit, an unprecedented growth in the world of development, and he now intends to launch and create a world of opportunities for the children of the first borrowers.

Another 'star' participant at the Summit shows the staying power of the Campaign: Queen Sofia of Spain. After having visited the poorest borrowers in Bangladesh in 1996, she has never missed a significant microcredit summit, and she has been over and over in the field in Africa and Latin America. Yunus has begun to call her today the "head of the microcredit family"...

But there is also a sense that not all is necessarily rosy in the world of microfinance. Actually, the world was not ever completely rosy for microfinance but now there are several reasons for concern. Sam Daley-Harris speaks of being 'ashamed' and Muhammad Yunus talks of 'a dark cloud that is not thinning out'. It was always clear that there was a theoretical risk of over-indebtedness but this risk did materialize in Andhra Pradesh last year in the form of suicides from farmers who did know how to begin to repay their debts. In Sam's words, the best antidote is to target the very poor: they are the least likely to be receiving too many loans.

The Summit is also dealing with a much less 'black and white' issue: that of the role of commercial investors in the area of microcredit. The issue first came to light two years ago with the Compartamos Bank in Mexico and then, again, one year ago with SKS in India. The question is pretty simple: should there be any restrictions on the ability of commercial investors to profit from the successes of a microcredit venture? The answer is far from simple: of course, intuitively our hearts would want the micro-entrepreneurs who struggled against all odds to repay their loans with interest and on time, to reap all possible benefits. But, on the other hand, do we really want to run the risk of having investors boycott the field of microfinance because their financial risk is not properly remunerated?

Yunus and the founder of Compartamos, who stand at opposite ends of the debate will be discussing this dilemma in the next two days. Stay tuned. More on this later.

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