

November 15th - Day 2 at the Global Microcredit Summit

Microcredit between Seal and Soul

Day 1 at the Summit finished on a reflection by Microcredit Summit co-founder John Hatch about the spiritual side of microfinance. This reflection had been initiated by Sam earlier in the day when he said that his parting thought (Sam is leaving the Campaign to launch the Center for Citizen Empowerment and Transformation) was that microfinance had to get back in touch with its redemptive power for the clients, i.e. its power to reveal the full dignity and abilities of the clients.

John's message is resonating today: how do all stakeholders remind themselves that the end objective is to empower the very poor because the very poor can ultimately be trusted to bring an end to their own poverty, once given access to the right tools?

Amid this backdrop, practitioners are also having an infinitely more practical and down-to-earth conversation: how can we monitor the social performance of microfinance providers, in concrete terms? In other words, can a Seal of Excellence certification be developed that could identify those institutions that are supporting the empowerment of their very poor clients and that are successful at accompanying them on their path out of poverty? And is it possible to have this certification system not cause an unnecessary reporting burden? Suggestions in this regard have been developed by a steering committee of leading practitioners which will be 'road-tested' in 2012 and could be ready for adoption in 2013.

In the interim, consensus is developing around one simple approach for the short-term: encourage a closer relationship between loan officers and borrowers, to detect early signs of over-indebtedness and be flexible when disaster strikes in the life of clients, so that instead of insisting on loan reimbursement (which inevitably leads to seeking the amount for the reimbursement from the loan sharks), a loan restructuration solution is developed.

Of note is the applause drawn from the audience for the co-founder of Compartamos, which is known to have made huge profits, when it was mentioned that the profit came from refusing to grow at all costs and from working to get a quality product that really meets the needs of the very poor.

The debate is getting more sophisticated and moving away from preconceived notions....

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