



All-Party Parliamentary Group on Microfinance/Microcredit

Chair: Annette Brooke MP Vice-Chair: Tom Levitt MP
Secretary: John Barrett MP Treasurer: Robert Syms MP

Minutes of meeting: 2nd April 2008

'Microfinance: a Commercial or Social Endeavour?'

Opening remarks and introduction of speakers was made by Annette Brooke (AB), Chair of the All-Party Parliamentary Group on Microfinance/Microcredit.

AB welcomed those in attendance and noted that the period since the last APPG on Microfinance/Microcredit (March 2007) had been one of dynamism and progress.

AB introduced the session speakers: Erik Josephson (EJ) of Five Talents, Dr James Copestake (JC) of the Department of Economics and International Development at the University of Bath (DEID) and Sally Vicaria (SV) of Opportunity International.

EJ Presentation

EJ began by introducing himself as a microfinance consultant for Five Talents and explaining that he has been working in Peru for the past 7 months. And that his work in Peru would be the focus of his presentation.

EJ gave an introductory picture of Five Talent's micro-credit programme operating in the district of San Juan de Miraflores in Lima. The district has a population of around 367,000 inhabitants, with an extremely high population density of 15,310 inhabitants per square kilometer. Of the residents, 6.3% are suffering from chronic malnutrition. Most housing is inadequate and lacks basic services such as water and drainage. The population of San Juan de Miraflores consists largely of people who have migrated from rural areas with very low educational levels. Eight out of 10 heads of homes do not have a primary level of education. The women represent a particularly vulnerable group. Unemployment and under-employment affects at least 50% of the population nationally.

EJ explained that Five Talents has joined a three-way partnership with the Anglican Diocese of Peru and the Ecumenical Church Loan Fund (ECLOF) – Peru. Five Talents has offered to provide £20,000 in financing for micro-credit loans during 2006. An additional £6,000 will be provided by ECLOF - Peru to pay for administration of the programme.

Furthermore, EJ noted that the loans are made using the group-lending strategy. Women entrepreneurs are given priority in membership of the so-called Solidarity Groups. Group members receive training before loan distribution and while the loan is in effect. Loans are disbursed in the form of "credit steps" which begin with £150. After full and timely repayment and as the business expands, loan sizes increase. The San Juan de Miraflores programme goal for

2006 is to provide loans to at least 140 entrepreneurs, benefiting approximately 700 individuals and raising the income level per family by 30%.

JC Presentation

JC began by looking at the key concepts regarding Financial Performance Management (FPM) and Social Performance management (SPM). He highlighted the main goal of each for FPM this is Profitability, and for SPM it is Client Wellbeing.

Through the use of graphs and charts JC was able to demonstrate the best way to assess the key concepts. Furthermore, JC went on to address the key concepts of FPM and SPM in considering both Non-profit financial institutions and For-profit financial institutions.

Having considered FPM and SPM in relation to Non-profit financial institutions and For-profit financial institutions, JC turned to the implications for Public Policy.

SV Presentation

SV began by defining Commercialisation, as an application of market based principles to microfinance, with a progression towards operational and financial self sufficiency by increasing efficiency and expanding outreach. Through using commercial sources of funds as a for profit formal financial institution (FFI). SV then put forward ideas as to why there is a need to commercialise.

Then SV analysed the challenges to Commercialisation, such as; policy environment/legal issues, perceptions, sustainability timeline, MIS and accounting challenges, human resources and mission drift.

SV through the use of models of NGOs and Banks was able to evaluate the Impact that Social Performance Management (SPM) can have on Microfinance and to prevent Mission drift.

SV concludes that the outreach indicators are positive and that the industry needs a framework and a set of indicators and tools to identify Mission Drift.

Questions

AB thanked the speakers for their valuable contributors and asked for questions from the floor.

Peter Kelly, *Barclays Bank*: question on whether there is a strong link between the local banks and the micro-entrepreneurs and whether this could be improved.

SV responded that through the New Model of Banks that these links could be strengthened through the Financial Instruments between the Regulated Microfinance Bank/Finance Company and Capital and Public Markets.

Tariq Munif, IOP, King's College London: question on whether the preferences, possibilities, and assessment systems can be so readily compacted into one graph on the current social performance versus the current financial performance.

JC responded that the research that he had completed was extensive and although not representative of every situation and possibility gave a broad and comprehensive view of the current social and financial performance.