



*Microfinance webinar on 4 October, 2011*

**Local Voices 4 Development: “Yes, there are crises in microfinance, but only in certain cases. In general, microfinance remains a powerful tool to help alleviate poverty”.**

Amsterdam, 7 October 2011 – Some 280 people from 40 countries representing 140 organisations from all over the world participated in the interactive webinar that took place on 4 October, called “Microfinance: Is there really a crisis?” Panelists Zanele Mbeki (South Africa), Sanjay Sinha (India), Mikhail Mamuta (Russia), Luís Derteano (Peru), and Damian von Stauffenberg (Germany/United States) concluded that indeed, in some places in the world there are crises that need to be addressed. But “One size does not fit all,” as moderator Bob Bragar concluded.

UN advisor **Sanjay Sinha** (India) opened the debate stating that in parts of India, multiple lending led to over indebtedness and intense investments of time by microentrepreneurs, who found themselves in 3 to 5 meetings with MFI officers every week. In part, commercial investors demanding high returns and concentrating their investee MFIs among the “the low hanging fruit” are to blame, he said. There was an atmosphere of unjustified “exuberance”.

With him, **Luis Felipe Derteano** (Peru), chairman of Grupo ACP, concluded that the clients’ needs should be the focus of all microfinance institutions as well as investors. He commented that microfinance models cannot simply be duplicated across the world, but should be adapted to local needs. Quality Management, Governance, Client Protection and Training, Triple Bottom Line (People, Planet, Profit), and sound business grounded on serving a real economy are the five key factors to avoid over indebtedness, he said.

South Africa’s anti-poverty leader (and former First Lady) **Zanele Mbeki** stated that in South Africa, microfinance has not become the powerful intervention instrument against poverty that it could be due, among other factors, to lack

of political will, lack of appropriate funding and instruments, and poor skills levels among operators. This includes the strong dominance of the commercial banking system. She made a plea for a more conducive environment for microfinance in South Africa as a potent intervention in addressing growing poverty among rural communities.

In Russia, the banking system badly under serves poor people and rural areas. Despite the many experiences of Russians whose lives were changed thanks to microfinance, small business still forms a very small isolated group amongst the huge populations of rural and urban poor, said **Mikhail Mamuta**, director of the Russian Microfinance Center and president of the National Partnership of Microfinance Market Stakeholders. Two years ago, microfinance was in crisis in Russia, due to the broader economic crisis which prevented consumers to buy goods and thus microentrepreneurs to sell their products and services. Today, there is no evidence of crisis or over indebtedness. "On the contrary," said Mamuta, "The only challenge is to make the sector grow and help small businesses to take off." Due to new proactive microfinance regulations and support of the government, the market now offers a favorable framework for development.

**Damian von Stauffenberg's** MicroRate has analyzed hundreds of microfinance institutions. His conclusion was firm: Microfinance is not in crisis, in that the value of microfinance as a tool to poverty alleviation remains as valid today as it always has. Growth among MFIs globally remains strong, though it is slowing. In isolated cases, microfinance institutions are facing problems. And indeed some are in crisis. But, he said: "This is the case for all providers of financial services. There are always isolated cases of problems! And in the microfinance sector, these isolated cases are typical for a sector that is relatively young, and perhaps slightly overly exuberant and still rather inexperienced. What is important is to learn lessons from mistakes and focus on clients' needs".

With his team, Amsterdam-based organizer Bob Bragar, is still analyzing the many questions and remarks that came and in at LocalVoice4Development via social media like Facebook and Twitter and especially via the webinar interface. "We were able to address some of the questions during the webinar, but many more will be addressed in the coming days. The debate does not end here - it has only just begun!"

#### ***About LocalVoice4Development.org***

*Local Voice 4 Development is dedicated to the idea that local leaders are the key to solving local problems: "We believe in development. We believe in*

*dialogue. And we believe that local voices must lead this dialogue if action to combat poverty is to have lasting effect. Our mission is to provide a forum for committed people around the globe to confront the slow pace of progress. We are here to talk and, more importantly, to listen."*

**Contact**

For more information or questions, please contact:

Bob Bragar

@: [info@localvoice4development.org](mailto:info@localvoice4development.org)

T: +31 61 509-4959

I: [www.localvoice4development.org](http://www.localvoice4development.org)