



American Model United Nations

## General Assembly Second Committee

GA 2nd/I/4

SUBJECT OF RESOLUTION:      Role of Microcredit and Microfinance in the  
Eradication of Poverty

SUBMITTED TO:                The General Assembly Second Committee

*The Second Committee,*

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2        *Recalling* A/RES/63/178 which specifically addresses the problem of poverty  
3 eradication,

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5        *Further recalling* A/RES/61/190 regarding training and awareness building  
6 programs for commodity exchanges and noting the application of these findings with  
7 regards to microfinance efforts,

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9        *Deeply conscious* of the effects of the economic slowdown, as addressed in  
10 A/RES/63/303, and how this has affected the global financial situation,

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12        *Fully alarmed by* the national economic and social stability threat caused by  
13 poverty,

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15        *Having studied* that past microfinance systems have been successful, and that their  
16 contributions have made significant impacts in the lives of the borrowers and their  
17 communities, both financially and socially,

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19        *Commending* the past successes of current microfinance organizations with  
20 regards to educating borrowers on loan basics,

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22        *Realizing* the extent of the interdependency between micro- and macro-economics  
23 in relation to financial institutions,

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25        *Acknowledging* that the achievement of the first Millennium Development Goals  
26 is conditioned by the advancement of the seven others, and thus a more comprehensive  
27 framework to achieve the MDGs is needed,

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29        *Emphasizing* the importance of educational and public awareness oriented  
30 programs as they pertain to microfinance programs,

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32        *Noting* that microfinance is but one of multiple tools which contribute towards  
33 poverty eradication efforts,

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35        *Recognizing* the right of every Member State to its own national sovereignty,  
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37       *Encouraging* Member States to consider the implementation of new microfinance  
38 strategies with regards to education, public awareness, human rights, research, and  
39 efficiency while enhancing the pre-existing political structures already in place,  
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42       1. *Reaffirms* its commitment to Millennium Development Goals (MDGs) and  
43 redoubling efforts to achieve these goals;  
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45       2. *Calls* for a common framework to be set in place to address the role of  
46 microfinance in eradicating poverty;  
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48       3. *Reasserts* the role of education in forming responsible and accountable  
49 microfinance efforts, and calls for:

50       (a) Training of the population, both the lenders and the borrowers, on  
51 microfinance basics and other financial services such as savings, investments and  
52 insurance;

53       (b) Establishing servant leadership programs to foster an environment of servant  
54 leadership and entrepreneurship by providing servant leadership education materials that  
55 will:

56       (i) Allow microfinance institutions and those individual representatives to nurture  
57 a new relationship of trust, mutual accountability and positive independence;

58       (ii) Give the opportunity for experience and successful servant leader  
59 entrepreneurs and to educate, in the form of a conference, those representatives  
60 and borrowers on microfinance essentials;

61       (c) Providing natural incentives for Microfinancial Institutions (MFIs) that wish to  
62 provide educational services along with their other financial operations;

63       (d) Integrating the need for financial literacy, with particular regards to  
64 microfinance, into the already existing Basic Education objectives set forth by the MDGs;  
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66       4. *Suggests* the pursuit of positive national policy within Member States such that  
67 high-risk states seek out extensive training and access to productive assets, such as the  
68 aforementioned education programs, prior to heavy investment in new microfinance  
69 opportunities;  
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71       5. *Encourages* assistance, of technical and/or otherwise nature, to organize forums  
72 of different types to which ministries, regional and local authorities and private experts  
73 are invited to come and share their expertise and development experiences;  
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75       6. *Notes* that vulnerable groups and poor people often need access to  
76 microfinance, not just microcredit, mechanisms are therefore encouraged at the local level  
77 to create income-generating activities, mobilize local savings and provide insurance and  
78 investment credit through arrangements adapted to meet the needs of the poor;  
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80       7. *Recommends* the establishment of a competitive framework within investors  
81 and MFIs, thus enabling them to focus on appealing to the borrowers in order to have  
82 lower interest rates and promote thorough transparency with respect to lender-borrower  
83 relationships;

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85 8. *Calls* upon Member States to make efforts to reach the poorest of the poor  
86 communities in urban and rural areas by enhancing and creating jobs within their own  
87 communities;

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89 9. *Encourages* the use of existing regional bodies to monitor microfinance  
90 projects within the region and ensure transparency by:

91 (a) Tracking funds from donors to individual Member States;  
92 (b) Reporting the use and effectiveness of those funds to donor states and  
93 institutions;

94 (c) Allowing individual recipient states to use those funds as they see fit and  
95 thereby discouraging potentially detrimental intervention;

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97 10. *Requests* for the creation of a United Nations mediator to oversee and advise  
98 for microfinance institutions with the purpose of promoting fair competition and the  
99 creation of low but practical interest rates, for both lenders and borrowers;

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101 11. *Promotes* the creation of an international law respecting each government's  
102 national sovereignty for the prevention of cross-lending to incentivize a fairer approach of  
103 creating loans;

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105 12. *Encourages* innovative and avant-garde opportunities in order to facilitate the  
106 more efficient distribution of loans granted to women thus enhancing their use and  
107 accessibility of loans;

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109 13. *Further encourages* governments, under their own national sovereignty, to  
110 allot a more significant portion of their revenues towards microfinancing without  
111 compromising their international standing;

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113 14. *Invites* Member States to participate in an international database for all  
114 microfinance interest rates in order to discourage corruption, encourage competition, and  
115 emphasize the importance of transparency in a healthy, growing economy;

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117 15. *Suggests* that training and access to productive assets, such as useful material  
118 resources, be offered to high risk regions prior to providing extensive monetary support;

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120 16. *Emphasizes* the importance of public awareness with regards to microfinance  
121 efforts in order to educate the public on the potential benefits of pursuing microcredit  
122 with particular focus on:

123 (a) The inalienable rights of all women as studies show that women are generally  
124 very responsible borrowers who use loans for family well-being and thus are more careful  
125 and likely to repay them;

126 (b) The importance of protecting the rights of indigenous peoples, whose  
127 sustenance comes from the land and that over-production does not result in their  
128 victimization and the exploitation of natural resources;

129  
130 17. *Stresses* the importance and value of research, and the negative effects of

insufficient information, with regards to microfinance efforts and thus recommends:

- (a) The holistic study of economic, social and political ramifications;
- (b) Further studies into the breadth, depth, and efficiency of existing and potential microfinance structures;
- (c) Updated research on loan repayment statistics and how to increase their repayment rates;
- (d) The adoption of international standards based on studies demonstrating the efficiency of what has worked in the past;

18. *Calls upon* the international community to address certain bottlenecks in the microfinance industry, including but not limited to:

- (a) Funding gaps;
- (b) Client capacity;
- (c) Institutional financial sustainability;

19. *Encourages* stable institutions guided by:

- (a) Appropriate internal management systems;
- (b) Industry performance standards;
- (c) Performance monitoring;
- (d) Sound prudential regulation;
- (e) Codes of conduct;
- (f) Consumer protection;

20. *Requests* microfinance research institutions to consider the following criteria:

- (a) Breadth of outreach, with particular focus on the number of clients being served;
- (b) Depth of outreach, with particular focus on the poverty level of clients;
- (c) Loan repayment, with particular focus on how well the lender collects its loans;
- (d) Financial sustainability, with particular focus on the profitability of MFIs in maintaining and expanding services without continued injections of subsidies;
- (e) Efficiency, with particular focus on how well MFIs control their operating costs;
- (f) Transaction costs, with particular focus on how to balance high transaction costs with interest rates in determining the demand for microfinancing;

21. *Supports* criteria used for microfinancial analysis be collected with quantitative and econometric analysis such as operating expense ratio as well as financial self-sufficiency which is adjusted for subsidy dependence as well as similar microfinance indicators, noting that these adjusted quantities can be provided both to microfinance institutions for them to understand their burden to improve their services as well as to investors;

22. *Emphasizes* group-based loans in the long-term based on the following criteria:

- (a) Groups tend to be more inter-dependent on business decisions than individuals;

178 (b) Groups having more collective accountability than one individual as individual  
179 loaning is not necessary for sustainable microfinance growth;  
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181 23. *Endorses* the development of a relationship between public and private sectors  
182 with the purpose of developing a stronger infrastructure of financial institutions and thus  
183 establish homeostasis between micro- and macro-economic perspectives;  
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185 24. *Encourages* the cooperation of the United Nations Capital Development Fund  
186 (UNCDF) and MFIs in order to target expansion to nascent markets and identify locally  
187 effective business models through comprehensive and practical strategies, these strategies  
188 can be advised by both the UNCDF and its Local Development Programmes, as well as  
189 the potentially-created Partnerships for Sustainable Development (PSDs) that would  
190 operate at the national level through dialogue with the Major Groups outlined in Agenda  
191 21;  
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193 25. *Further recommends* that the international community expands funding for  
194 microfinance institutions (MFIs), using the following mechanisms:

195 (a) National governments of both developed and developing nations adopt  
196 financial and tax policies that allow for private-sector investment funds to invest in MFIs  
197 to promote globally-minded corporate social responsibility as well as healthy portfolio  
198 diversification;

199 (b) Awareness and marketing of investment opportunities for private investors,  
200 especially in developed nations, should be promoted due to the increased interest of the  
201 public in socially responsible investments that offer attractive risk-return profiles as well  
202 as the ability to take action in eradicating poverty;

203 (c) The funding and membership of international financial institutions, such as the  
204 World Bank's International Finance Corporation, needs to be increased and targeted to  
205 complement private investment, it must be directed towards smaller MFIs where the risk-  
206 return profile is less attractive to commercial investors, but the priority of unique  
207 innovations and poverty alleviation for the poorest people is paramount;  
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209 26. *Decides* to remain actively seized on the matter.

Passed, Yes: 61 / No: 20 / Abstain: 23