



American Model United Nations
General Assembly Plenary

GA/2/I/4

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

SUBMITTED TO: The General Assembly Plenary

The General Assembly Plenary,

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

3

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

7

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

10

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

13

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

17

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

20

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

23

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

27

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

30

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

33

34 *Recognizing* the right of every Member State to its own national sovereignty,

35

36 *Encouraging* Member States to consider the implementation of new microfinance
37 strategies with regards to education, public awareness, human rights, research, and
38 efficiency while enhancing the pre-existing political structures already in place,
39

40
41 1. *Reaffirms* its commitment to Millennium Development Goals (MDGs) and
42 redoubling efforts to achieve these goals;
43

44 2. *Calls* for a common framework to be set in place to address the role of
45 microfinance in eradicating poverty;
46

47 3. *Reasserts* the role of education in forming responsible and accountable
48 microfinance efforts, and calls for:

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

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

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

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

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

62 (d) Integrating the need for financial literacy, with particular regards to
63 microfinance, into the already existing Basic Education objectives set forth by the MDGs;

64 (e) Integrating and introducing business leaders into communities to further allow:

65 (i) Intra-continental technology information and education programs transferring
66 between varying communities and social groups across the globe to promote
67 feelings of stability, interconnectedness, and the idea of a unified connected
68 stateship;

69 (ii) Efficient developmental systems intra-nation that can raise the entire social
70 standing while reaffirming the necessity of inter-communication and trust for the
71 betterment of entire nations;
72

73 4. *Suggests* the pursuit of positive national policy within states, such as those in
74 need of Microfinance, seek out the education that will be made available and access to
75 productive assets, such as the aforementioned programs, in conjunction with the heavy
76 investment in the new microfinance opportunities;
77

78 5. *Encourages* assistance, technical educational, to organize forums of different
79 types to which ministries, regional and local authorities and private experts are invited to
80 come and share their expertise and development experiences;
81

82 6. *Notes* that vulnerable groups and poor people often need access to

83 microfinance, not just microcredit, mechanisms are therefore encouraged at the local level
84 to create income-generating activities, mobilize local savings and provide insurance and
85 investment credit through arrangements adapted to meet the needs of the poor;

86
87 7. *Recommends* the establishment of a competitive framework within investors
88 and MFIs, thus enabling them to focus on appealing to the borrowers in order to have
89 lower interest rates and promote thorough transparency with respect to lender-borrower
90 relationships;

91
92 8. *Calls* upon Member States to make efforts to reach the poorest of the poor
93 communities in urban and rural areas by enhancing and creating jobs within their own
94 communities;

95
96 9. *Encourages* the use of existing regional bodies to monitor microfinance
97 projects within the region and ensure transparency by:

98 (a) Tracking funds from donors to individual Member States;
99 (b) Reporting the use and effectiveness of those funds to donor states and
100 institutions;

101 (c) Allowing individual recipients to use those funds as they see fit and thereby
102 discouraging potentially detrimental intervention;

103
104 10. *Requests* for the creation of an advisory board to oversee and advise for
105 microfinance institutions with the purpose of promoting fair competition and the creation
106 of low but practical interest rates, for both lenders and borrowers;

107
108 11. *Promotes* the creation of a multilateral international treaty respecting each
109 government's national sovereignty for the prevention of cross-lending to give incentive
110 for a fairer approach of creating loans;

111
112 12. *Encourages* innovative opportunities in order to facilitate the more efficient
113 distribution of loans granted to women thus enhancing their use and accessibility of
114 loans;

115
116 13. *Further encourages* governments, under their own national sovereignty, to
117 allot a more significant portion of their revenues towards microfinancing without
118 compromising their international standing;

119
120 14. *Invites* Member States to participate in an international database for all
121 microfinance interest rates in order to discourage corruption, encourage competition, and
122 emphasize the importance of transparency in a healthy, growing economy;

123
124 15. *Suggests* that training and access to productive assets, such as useful material
125 resources, be offered to high risk regions prior to providing extensive monetary support;

126
127 16. *Emphasizes* the importance of public awareness with regards to microfinance
128 efforts in order to educate the public on the potential benefits of pursuing microcredit
129 with particular focus on:

130 (a) The studies show that women are generally very responsible borrowers who
131 use loans for family well-being and thus are more careful and likely to repay them;

132 (b) Calls for a culturally sensitive approach to incorporating women further into
133 the microfinancing sector through educational programs for men, showing the value of
134 women in the workforce and their ability to balance work and family;

135 (c) The importance of protecting the rights of all peoples within a state, whose
136 sustenance comes from the land and that over-production by a state does not result in
137 their victimization and the exploitation of natural resources;

138 (d) Encourages all member states to strive for a society balancing tradition and
139 modernity in the economic sphere;

140

141 17. *Stresses* the importance and value of research, and the negative effects of
142 insufficient information, with regards to microfinance efforts and thus recommends:

143 (a) The holistic study of economic, social and political ramifications;

144 (b) Further studies into the breadth, depth, and efficiency of existing and potential
145 microfinance structures;

146 (c) Updated research on loan repayment statistics and how to increase their
147 repayment rates;

148 (d) The adoption of international standards based on studies demonstrating the
149 efficiency of what has worked in the past;

150

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

153 (a) Funding gaps;

154 (b) Client capacity;

155 (c) Institutional financial sustainability;

156

157 19. *Encourages* stable institutions guided by:

158 (a) Appropriate internal management systems;

159 (b) Industry performance standards;

160 (c) Performance monitoring;

161 (d) Sound prudential regulation;

162 (e) Codes of conduct;

163 (f) Consumer protection;

164

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

166 (a) Breadth of outreach, with particular focus on the number of clients being
167 served;

168 (b) Depth of outreach, with particular focus on the poverty level of clients;

169 (c) Loan repayment, with particular focus on how well the lender collects its
170 loans;

171 (d) Financial sustainability, with particular focus on the profitability of MFIs in
172 maintaining and expanding services without continued injections of subsidies;

173 (e) Efficiency, with particular focus on how well MFIs control their operating
174 costs;

175 (f) Transaction costs, with particular focus on how to balance high transaction
176 costs with interest rates in determining the demand for microfinancing;

177

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

184

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

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

189 (b) Groups having more collective accountability than one individual as individual
190 loaning is not necessary for sustainable microfinance growth;

191

192 23. *Endorses* the development of a relationship between public and private sectors
193 with the purpose of developing a stronger infrastructure of financial institutions and thus
194 establish homeostasis between micro- and macro-economic perspectives;

195

196 24. *Encourages* the cooperation of the United Nations Capital Development Fund
197 (UNCDF) and MFIs in order to target expansion to nascent markets and identify locally
198 effective business models through comprehensive and practical strategies, these strategies
199 can be advised by both the UNCDF and its Local Development Programmes, as well as
200 the potentially-created Partnerships for Sustainable Development (PSDs) that would
201 operate at the national level through dialogue with the Major Groups outlined in Agenda
202 21;

203 25. *Further recommends* that the international community expands funding for
204 microfinance institutions (MFIs), using the following mechanisms:

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

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

213 (c) The funding and membership of international financial institutions, such as the
214 World Bank's International Finance Corporation, needs to be increased and targeted to
215 complement private investment, it must be directed towards smaller MFIs where the risk-
216 return profile is less attractive to commercial investors, but the priority of unique
217 innovations and poverty alleviation for the poorest people is paramount;

218

219 26. *Decides* to remain actively seized on the matter.

Passed, Yes: 40 / No: 23 / Abstain: 14