



## Business case for Microfinance Institutions to start Co-operation with Microjustice Programs

### Cost-Benefit analysis for Microfinance Institutions to cooperate with Microjustice

#### ***The benefits of cooperation with Microjustice are:***

1. Providing a relevant complementary service to its clients
2. Attracting more clients through the clients of Microjustice
3. Reducing some administrative costs and financial risk, because more clients will have valid identity and ownership papers
4. Obtaining guarantees and security and thus the possibility to provide larger loans
5. Reducing some of the pressure on loan officers to help the clients with their legal problems, this way freeing some of their time
6. A good way to achieve the additional social objectives of Inclusive Finance
7. Being able to reach people who do not have (correct) identity papers (for countries where MFIs fall under banking regulations).

#### ***The costs of cooperation with Microjustice are:***

1. About 200 USD per branch per month
2. Cost of leaflets and other promotion
3. Staff-time during training
4. And if possible, support for the set-up and development phase.

### Introduction

Microjustice has now developed beyond the experimental phase and is now seeking further co-operation with Microfinance.

The experience of Microjustice with its clients in Bolivia shows that between 26 and 50 % of the Bolivian population<sup>1</sup> (depending on the region) does not have their identity papers in order. It is mostly the persons with the lowest incomes that have inadequate papers and lack the know-how to resolve this problem. Due to new requirements in Bolivia for Microfinance Institutions, these persons can access microfinance no longer. If the situation of another country is comparable to that of Bolivia, it is to be expected that at least 20 to 40% of the population will face this problem. In other countries people's inadequate identity and ownership papers may equally reduce their access to (micro)finance. Microjustice services will solve this.

Poor and marginalized people generally do not have access to the same rights as the rest of the population, the same way they lacked access to financial services before the onset of microfinance. Microjustice aims to facilitate access to basic rights for the poorest segment of the population and, in

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<sup>1</sup> These numbers can be found in: [www.ftierra.org](http://www.ftierra.org) publication Fundación Tierra Campesinos Indígenas originarios sin existencia legal´ September 2009

doing so, helping them enjoy the same rights as their more well-to-do co-citizens. Microjustice is an important instrument for the legal empowerment of the poor. Its vision and methodologies are based on the principles of solidarity and sustainability.

ILA Microjustice for All ([www.microjustice4all.org](http://www.microjustice4all.org)) implements Microjustice through an international network of Microjustice Country Programs. The first Microjustice Country Program has been developed in Bolivia. The experience with that program has provided the main input for this business case. See annex 1.

### **Why is cooperation between Microfinance Institutions and Microjustice important?**

Inadequate access to justice, also known as 'the lack of Inclusive Justice' of microfinance clients impacts the business of microfinance institutions (MFIs) in several ways.

#### **1) *An efficient registration system for identity and property can save MFIs much work***

Many poor people do not have proof of their identity. They do not have their papers in good order and frequently lack formal recognition of their ownership, or only have access to communal land. To be able to assist these people, microfinance currently tends to avoid many issues around formal identity and ownership registration.

However, MFIs would be able to work much more efficiently if their clients have formal proof of their identity and their ownership status. In this case, MFIs would not need to visit their clients' house to establish whether the applicants own the land, and could check directly with other MFIs whether a person already has a loan, using an identity card number. It would be cheaper and more convenient for MFIs if their clients were already formally registered and had formal proof of their ownership.

#### **2) *Having formal property registration means not only less work, but also more security***

Microjustice (in this case: accurate property registration) reduces the risk of an MFI portfolio and therefore increases its credit rating (if applicable). After all, clients who do not have formal ownership may lose their land and their possibility to repay a loan.

#### **3) *More security and less work for MFIs means lower costs for clients***

Without guarantees, financial services are more expensive and/or slower for clients. Clients may fall under more expensive loan schemes with higher interest rates and the loans they can access will often be smaller.

#### **4) *Bank regulations may require formalization of the operations of MFIs***

Bank regulations are becoming more stringent in several countries. In Bolivia the MFIs started as NGOs in the 1980s which stayed outside the Central Bank's supervision. However, new regulations compel these to also comply with banking regulations. This means that their clients now need to have their identity papers and in many cases their ownership papers in order.

#### **5) *Legal protection in exercising ownership and other rights strengthens the economic position of microfinance clients and hence MFIs themselves***

Frequently, microfinance clients, like other low-income and vulnerable people, face injustices. They may have bought land without obtaining the ownership papers and the same land may later be sold to others, causing them to lose all their investments. They may not have access to state health schemes or pension schemes, for lack of identity papers, missing out on crucial services such as delivering in a hospital or substantial income at old age. These events may cause microfinance clients to repay their loans later or prevent these clients from building up a healthy savings account.

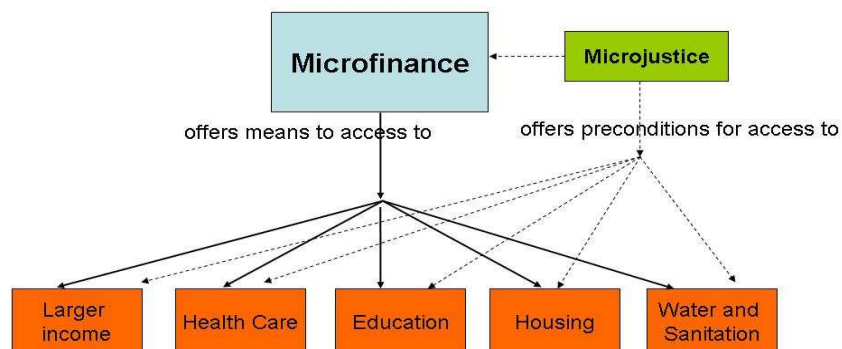
#### **6) *Cooperation with Microjustice will reduce the workload of MFIs and make the work less troublesome for MFI staff***

Microfinance staff, namely the loan officers, are often the only advisors trusted by the microfinance clients. Frequently microfinance clients bring legal problems to their loan officer who often tries to help them solve it. If a loan officer can refer his/her clients to a Microjustice program they could be more productive and spend less time on issues that are not her/his field of expertise.

### 7) Microjustice helps MFIs to attain their social development goals

The objective of Inclusive Finance is the social development of the poorest sectors of society, integrating access to health care, education, housing, higher income etc. To achieve these objectives people also often need to have their civil documentation in order, e.g. for accessing health services or entry to school of the children.

## Microjustice as precondition for access to financial services and for access to basics



### How can MFIs include Microjustice?

#### How Microjustice operates

Microjustice develops specific programs for each country and, if appropriate, for each region within a country. A new Microjustice Country Program starts by identifying the two or three most common legal problems of low-income people. Then the Country Program develops standardized, simple products (standardized legal services) to address these main problems.

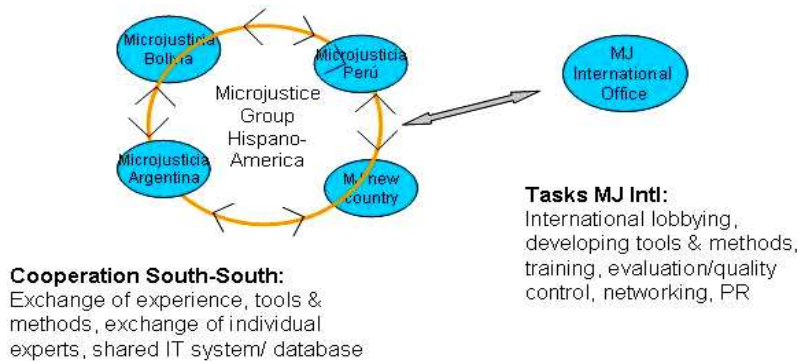
In each country Microjustice works through a number of outlets that are the contact point with the clients. These outlets can be considered the equivalent of the “branches” in MFIs. People can bring their case to the outlets, which then generally transfer the case to the Central Office which deals with a number of the same type of cases at the same time (economies of scale).

Microjustice charges a modest but realistic fee for the services which can also be paid in installments in order to make it feasible for low-income people to pay. Microjustice is to be sustainable in each country within about four years’ time. During the first four years a temporary start-up subsidy is required, mainly for the needs for research and the experimenting and developing phase of the products to address these needs.<sup>2</sup>

The Microjustice International Office is the expert microjustice network organization guiding the Microjustice Country Programs, developing the methodology, involving international experts and lobbying for inclusion of Microjustice on the international agenda.

<sup>2</sup> A Handbook providing a toolbox has been developed for the introduction and standardization of Microjustice Country Programs: [www.microjustice4all.org/handbook](http://www.microjustice4all.org/handbook)

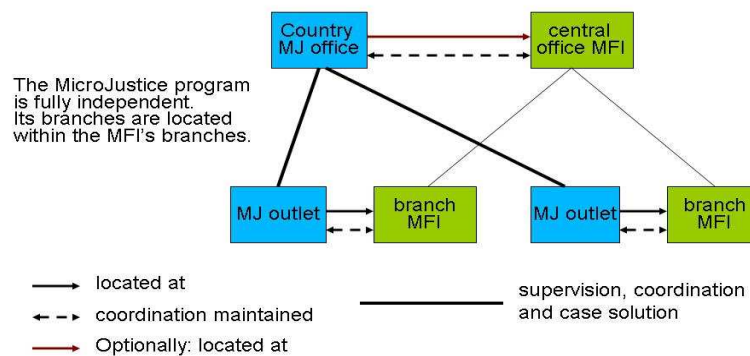
## Microjustice is a bottom-up organization with minimal overhead



### **How Microfinance Institutions can cooperate with Microjustice**

Microfinance Institutions can most benefit from cooperating with Microjustice by hosting the outlets of Microjustice in their branch offices where legal services can be accessed in the same place as financial services. An MFI can offer its existing clients a convenient additional service and can reach new potential clients through the Microjustice outlet.

## MJ Country programs work within the infrastructure of the partner MFI



The basic requirements for Microfinance Institutions for including Microjustice services are the following:

1. Provide working space to the Microjustice outlets in their branches. The space required should be enough for a desk for two staff, a computer, and internet connection (if available).
2. Actively inform their clients about the services that Microjustice can provide to achieve a volume of clients for Microjustice e.g. by jointly issuing flyers.
3. Allow Microjustice to train their (MFI) front-office staff (cashiers and loan officers) about the products that Microjustice provides and train them in how to refer people to Microjustice.

Ideally the MFI would also support Microjustice with:

1. Contribute to the start-up costs of Microjustice Country Programs.
2. Provide know-how on the type of legal needs of their clients and characteristics of what problems which type of people have (gender-related, age-related, urban-rural differences, etc.) to help Microjustice to speedily complete their needs-assessment in the country or region.
3. Contribute financially to the international Microjustice office's costs during the development phase.

In short, a cooperation with Microjustice can cost a MFI as little as the cost of 6 m2 of office space, one computer, internet connection, the cost for flyers with information and the time-cost for training of their front-office staff in each branch. Let's say, maximum 200USD per month per branch in Bolivia. In return, MFIs may increase their front-office staff's productivity, which may well provide an equally significant saving of the costs and other benefits as mentioned above.

### ***Timeframe***

Microjustice, like Microfinance, aims at following a tight schedule to field its operations as soon as possible.

#### ***Month 1 to 6: assessment phase***

The first 6 months in a country are dedicated to assessing the needs and analyzing how to address these needs. (i.e. investigating the processes in the country's legal system and design and testing of two to three legal products). This phase operates from a central office and a single pilot outlet where action research takes place.

#### ***Month 7 to 12 : pilot phase***

During months 7 to 12 operations start in maximum 5 branches which are supported intensively by the country's central office. Once the products have been piloted and adjusted, expansion to new branches becomes feasible. All the technical aspects are tested and adapted where needed, such as the database and monitoring system.

#### ***Months 13-24 : expansion phase***

The program opens a new branch every month. During this phase the products are further monitored and where needed still modified. The same goes for the database and monitoring system. During this phase there is emphasis on staff recruitment and training and careful assessment of the success and appropriateness of the products.

#### ***Months 25-48 : consolidation phase***

The Microjustice program in a country will have in total 4 years to become financially sustainable. For some countries to become financially sustainable will require an increase in volume. In other countries, it might require an improvement in efficiency. In most countries, it will entail both approaches.

#### ***Months 49 – and on: sustainable operations***

From month 49 a Microjustice program in a new country should have reached sustainability, meaning that the costs of the country program are covered in full by the fees paid by the clients and/or by other development programs buying the services for their target-group. From month 49 the Microjustice operation in a country is formally a business, which can define its strategy on how to operate successfully. (N.B. in most countries Microjustice will be legally registered as a non-profit organization. However, in all countries a business-approach will be followed).

In addition, in each phase of the program, important lobbying work will be done to smoothen the implementation of the products. In some countries, where access to basic rights is so bureaucratic and complicated, it can take a bit longer to reach financial self-sustainability.

An important aspect during all the phases is the awareness building on individual rights and how these can be accessed. This is a fundamental part of the integrated approach of Microjustice and Microfinance, e.g. Microjustice provides citizens' training in this field.

## Annex 1

### Development of Microjustice Network world-wide

The Dutch Foundation International Legal Alliances, ILA Microjustice for All ([www.microjustice4all.org](http://www.microjustice4all.org)), started the work in Microjustice in the post-war reconstruction of the former Yugoslavia from 1998 onwards, helping tens of thousands of refugees to have access to their civil documentation, houses, property, pre-war built-up rights. To reach the financial sustainability of its work, and based on a Round Table organized in Madrid in 2006, Microjustice as a method was developed.

The first Microjustice pilot was started in Bolivia, which was followed by Microjusticia Perú, and in January of this year Microjusticia Argentina has been set up. The need for civil documentation is one of the most important in Latin America to fulfill basic social-economic needs. For the Microjustice programs that are being prepared in Africa and Asia, a special need assessment is being done. For example in Africa property grabbing by the family of a deceased husband is a big problem not only for the widow, but may also be a problem for the MFI which has provided credits, based on her patrimony.

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Fact Sheet Microjusticia Bolivia – 31st December 2009	
Organization	Fundación Microjusticia Bolivia
Region of Operation	Departments of La Paz, Oruro, and preparation in Potosí
Years of operation	2
People working	23
Products	- Identity Documents (in order) - Access to Needs linked to Identity such as financial services, state pension etc - Property registration
MFI's partners	FFP FIE S.A., IMPRO, Habitat, Promujer
Outlets in FMI institutions	5 FIE in La Paz, El Alto and Oruro
Other outlets	3 in the Central Registry Offices 3 in town-halls in rural communities 15 mobile units, field-officers of partner-organizations trained in Microjustice
Total consultations	11.327
Total cases	2.606
Funded by	Eureka Achmea Foundation (largest insurance company of The Netherlands) Oxfam Novib Dutch Embassy La Paz FFP FIE S.A. Private donors Income from products Income from consultancies

Start-up operations new Microjustice Programs	- Microjusticia Perú since late 2008 in the bordering department of Puno - Microjusticia Argentina since early 2010, with first focus on the ID papers of the migrants from Bolivia, in cooperation with MFI Gran Poder (daughter of the NGO FIE)
Requirements for Microcredit	Range between ID and ownership papers real estate

<b>Fact Sheet Microjusticia Perú – 31st December 2009</b>	
Organization	Asociación Microjusticia Perú
Region of Operation	Departments of Puno
Years of operation	1
People working	10
Products	- Identity Documents - Access to Needs linked to Identity such as financial services, heritage, state pension, etc. - Child recognition - Child allowance - Insurance Compensation - Property registration - Labor rights - Microbusiness Formalization - incorporation of legal personality of community associations (comunidades campesinas)
MFI's partners	Caritas, Promujer
Outlets	1 central office Puno 2 town hall in the cities of Puno and Juliaca 1 in partner NGO/notary Puno 13 Justices of Peace in rural communities Field promoters/officers of social program (programa juntos) and partner NGOs
Total consultations	2544
Total cases	407
Funded by	Netherlands Embassy in Lima Income from products
Requirements for Microcredit	Range between ID and ownership papers real estate