

Microjustice, the Microfinance of the 21st century

Microfinance contributes to combating poverty

Microfinance has contributed enormously to combating poverty. It is one of the few developmental activities which can claim to have macro-level impact.

What is microfinance based on? Poor people turn out to have quite sophisticated financial behaviour. They borrow, save and lend to manage their cash-flow, pay for emergencies and life-events and prepare themselves for old age.

Poor people, however, traditionally did not have access to quality, reliable and appropriate financial services which cumulatively caused a lot of financial loss. Microfinance institutions are filling this need resulting in poor people being able to better and more cost-effectively manage their finances.

Lack of access to justice as damaging as lack of access to finance

But another major impediment to the poor is the lack of access to quality legal services. Large groups of the poor lack access to basic rights: they have no proper identity papers, no proof of property, just to name a few common problems. Usually they have no options for these issues to be resolved in a cost-effective, fair manner. Poor people are not the usual clients of lawyers. Even if they have access to lawyers' services, they frequently are faced by high (and intransparent) costs, poor quality services and long waiting times which also bring uncertainty.

Improving access to justice can contribute to combating poverty

The (economic) impact of lack of access to basic rights can be very large. In many countries, a child without a birth-certificate cannot attend school. People in Bolivia without a valid *carnet* (ID) cannot access the state pension, missing out on some 300 USD per year. Without a valid ID access to delivering a child in hospital may be problematic. Apart from the personal suffering, the impact of not being able to access a safe delivery in a hospital may have tremendous economic consequences for the family. Without papers, many poor people lack access to health services, education, pensions, state housing, and other programmes.

Relevance of Microjustice for Microfinance

In most countries Microfinance Institutions do not require its clients to have valid identity papers or property papers. However, if microfinance clients would have these papers, this could make microfinance more efficient.

Moreover, as soon as microfinance institutions start to fall under supervision of their country's Central Bank, they start to have the obligation to establish formally the identity of all their clients and start to require formal proof of property if these are used as collateral. There are cases where Microfinance Institutions are now sending some of their long-term members away, because they do not fit the requirements of the Central Bank (e.g. some of the *Instituciones Financieras de Desarrollo* in Bolivia which now have to fall under Central Bank supervision).

The financial implications of lack of access to rights can be very large which can make good microfinance clients overnight into bad clients. If someone loses his/her land due to inadequate papers, they may default on the repayment of their loan. A large expense on health for an avoidable emergency, may imply the client to withdraw all their savings. If these situations can be prevented, many microfinance clients may face more stable financial situations and be more stable, better clients. Microfinance institutions are frequently confronted with the legal problems of their clients. A microfinance client trusts his/her Credit Officer and will discuss its legal issues with him/her. Usually a Credit Officer will try to help but may spend a lot of time doing so, without solving the problem. If a Credit Officer can refer such a person to a reliable institution who is capable of resolving the issue, this may save time and improve a Credit Officer's standing.

How does microjustice work?

Microjustice works according to Microfinance principles. It is run on a cost-recovery basis: 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.¹

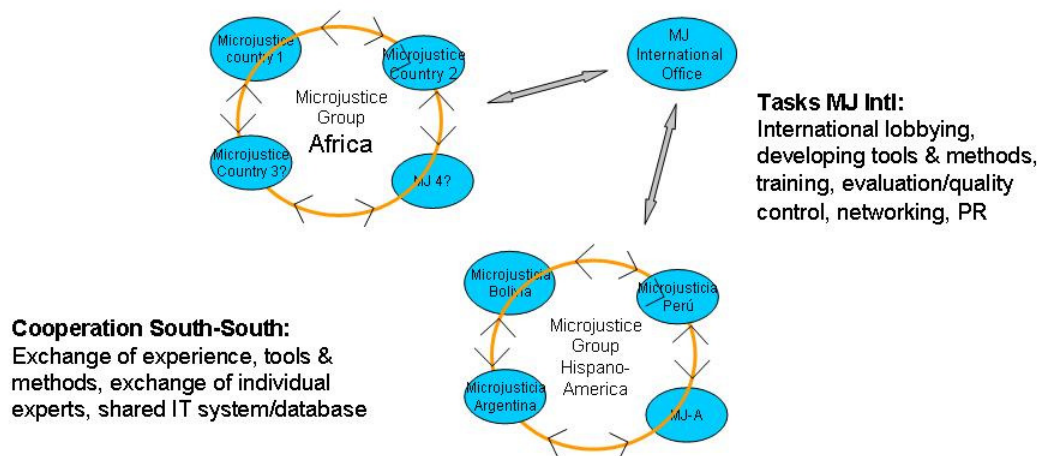
Just like in Microfinance, the low fees are possible through an efficient, large volume business-model. Microjustice provides standardized, simple products which will resolve most of the legal demands of poor people, just like microfinance products.

In each country, the Microjustice programme consists of a head-office and several service points (these are the equivalent of the branch offices in microfinance). The facilitators (the equivalent to the Credit Officers in microfinance) attend to the clients. The *cases* (a legal case addresses one legal problem of one client, it is the equivalent to a loan or a savings account in microfinance) are received by the facilitator and then passed on the back-office staff to be resolved.

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.

The Microjustice International Office is the microjustice network organization providing know-how and advice to the Microjustice Country Programs, developing the methodology, involving international experts and lobbying for inclusion of Microjustice on the international agenda.

Microjustice is a bottom-up organization with minimal overhead



¹ A Handbook providing a toolbox has been developed for the introduction and standardization of Microjustice Country Programs: www.microjustice4all.org/handbook

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

