

2/3/97 Microcredit Summit

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PRESERVATION

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REMARKS BY THE FIRST LADY
AT THE MICROCREDIT SUMMIT

Sheraton Washington Hotel
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MRS. CLINTON: Thank you very much. Thank you, choir, that was wonderful. I got to listen to you as I stood outside. I am thrilled to see such a turnout for this summit, which is one of the most important gatherings that we could have anywhere in our world, to talk about what is possible for raising the sights and aspirations of people, giving them the tools of opportunity, expanding access to credit and creating conditions in which men, women and children will be able to make for themselves better lives.

I'm very grateful to all who have made this summit possible, particularly to the co-chairs, to the heads of state who are gathered, to other distinguished guests, to the Results Educational Fund, to many of the private corporations and other foundations that have helped to sponsor this important gathering.

This is truly an historic occasion. Microfinance is a subject that is near and dear to all of our hearts who are gathered here. And this first global summit on microcredit offers an unprecedented opportunity for us to draw attention to the successes of microcredit in developing countries, as well as in applications in advanced economies around the world.

By bringing together experts from every continent we will be able to learn from each other's challenges and achievements, and apply those lessons within our own borders. I hope that this conference will engender new understanding of microcredit and its potential to transform the lives of individuals, their families, their communities and their nations.

Although it is called "microcredit," this is a macro idea. This is a big idea, an idea with vast potential. Whether we are talking about a rural area in South Asia or an inner-city in the United States, microcredit is an invaluable tool in alleviating poverty, promoting self-sufficiency and stimulating economic activity in some of the world's most destitute and disadvantaged communities.

I first heard about microcredit more than a decade ago when my husband, then the governor of Arkansas, and I were involved in looking for ways to create economic opportunity in the poorest sections of one of the poorer states in the United States. We had heard about the work of the Grameen Bank in Bangladesh and about the work that the South Shore Bank in Chicago. And we reached out to representatives of both to explain to us how this idea of very small amounts of credit could make such a difference.

I remember well when we met with Muhammed Yunus in the Governor's Mansion in Little Rock in 1986. We sat there and listened as he told us how the idea which he had had as an economics Ph.D. and then a teacher back in his home in Bangladesh began to be put into practice. He offered advice as the project in Arkansas got off the ground. Within a few years we, too, could see how the fruits of the Good Faith Fund, as the project in Arkansas was called, were beginning to take root.

It was so contrary to conventional thinking about finance and economic development. And, yet, before our eyes and based on reports from Bangladesh and India and Chicago and elsewhere, we knew something important was happening that had escaped the notice of many who worked in development, of many who were in finance departments of governments. And both my husband and I were determined that the concept of microcredit would have universal relevance. We looked for ways to apply microcredit in America, taking the best of the principles and values that it represented, but making it sure that it could be put into practice in different settings.

Now, more than 10 years later, we can look around this room, from one end to the other, and appreciate the power of Muhammed Yunus' vision. And we can celebrate the courage and dedication it has taken on the part of all of you today -- pioneers in microfinance, lenders in microcredit enterprises, representatives of government and private business and foundations and grass-roots community organizations from all over the world -- the courage that it took to come and understand how the conventional wisdom about poor people and economic opportunity was no longer adequate. (Applause.)

To really understand the significance of this summit one must recognize that you are here because you have broken a paradigm, you have gotten out of the conventional box of thinking about the poor, about economic opportunity, about the partnership between the public and private sector. It is this type of unconventional thinking that we need more of in our world today, to address the problems that all of us confront. (Applause.)

I know those of us here understand that microcredit is a tool -- not the only tool, but we believe an important tool available to promote economic and social development. We have seen with our own eyes in the last several decades how the global economic revolution has transformed lives, many for the better. People with opportunities in places that never thought or dreamed they could see clean water, roads, their children attending school, access to health care.

And yet, we also know that global economic change has not only made winners, it has

made losers as well. And part of our challenge is how do we harness these vast forces of change for the benefit of all people, how do we ensure that no matter where one lives, no matter what race or ethnic background, no matter whether a man or a woman. It is the individual human being willing to work hard who will be given the opportunity if that person takes responsibility to seek and find a better life for themselves.

That is why this idea is important not only on its own merits and that we should work to spread it, be honest about what it can do, make changes where necessary, recognize that it has limitations. But the idea is not only important for what it is, but for what it represents when we put it into the context of the global economic changes that are sweeping through all of our countries. (Applause.)

The United States has long supported microcredit overseas through USAID. And I am pleased that the United States will continue to support microcredit programs and that I hope more American citizens will recognize how important it is to support the economic aspirations of our friends and neighbors around the globe. And one of the ways we will attempt to deliver that message is to demonstrate here within our own borders how microcredit can change the lives of Americans.

Indeed, we are beginning to spread microenterprise throughout the United States. It has to be tailored to our particular economic and social circumstances. And so it is by the very nature of the communities which it is working in going to be diverse -- offering different kinds of loans, resources and business assistance.

But I am pleased that the President, working with the Secretary of the Treasury whom you will hear from later, have recognized the important role that microcredit will play in economic development throughout our country in helping people who are currently on welfare in the United States find opportunities for their own economic self-sufficiency. And to that end, just this last week, the President and Secretary Rubin presented the first Presidential Awards for Excellence in Microenterprise Development. The awards recognize efforts within our country to extend credit and economic opportunity to Americans who otherwise lack the chance to become economically self-sufficient.

The awards also underscore the ripple effect that microcredit projects can create -- not only in lifting individuals out of poverty and moving mothers from welfare to work, but in creating jobs, promoting businesses and building capital in depressed areas.

The United States is also promoting microcredit through the Small Business Administration's Microloan Program -- a public-private partnership which has already awarded \$70 million in grants to nonprofit organizations with nearly half of the loans granted going to women. The loans range from \$125 to \$25,000.

Because of the promise that microcredit holds in the United States, the President announced last week that he is requesting substantial increases in federal funding for the Community Development Financial Institutions Fund. His budget calls for a \$1 billion increase

over the next five years. (Applause.)

As I said last week at the White House when we were celebrating microcredit, there are millions of people in our country as there are millions of people in all the nearly 100 countries represented here who are brimming with initiative and desire to take responsibility and to work hard. But they need what I call the tools of opportunity, and one of those tools is access to credit. For too long, many people -- not only the poorest of the poor, but working people and others -- have had to turn to the lenders in the community that extract great price and cost for the money that they give. Others have been shut out completely from any kind of access to credit. And the result has not only been to depress their opportunities, but to depress that of those in their families and in their communities.

Later today, I will visit a microcredit project right here in Washington, D.C. -- one of the FINCA USA projects. I spent time with a FINCA borrowing group in Managua, Nicaragua, and I'm looking forward to hearing from the borrowers in this group here in Washington -- how that model is working for them.

What we are finding is that modest loans are transforming lives, reclaiming villages and rural areas and cities from decay and decline, and helping to reduce the number of people living in substandard conditions or extreme poverty.

I have seen that with my own eyes. Many of you are veterans of microcredit who are here, but others of you have come for the first time to learn how this concept can be translated and transplanted where you live. And others of you in the press are finding this a new idea, something you had not really focused on before. And still others in government and private business are looking for ways to help the economic development of people in the communities that you serve. And I want to take just a few minutes to visualize why I am such an admirer and supporter of microcredit; why I believe that it has such great potential.

So I brought with me some of the pictures that I have had taken as I have traveled to various continents and countries looking at microcredit efforts, and if I could I'd like to show them to you as I talk a little bit more about why they make such an important difference.

I want to start with a picture from India, and those of you who are familiar with SEWA -- and I believe that Ela Bhatt is here and will be speaking -- know how important the Self-Employed Women's Association has been. This group has made it possible for very poor women to learn about finance, to borrow money, to be part of a bank, to save money. And when I visited I met with hundreds of women, some of whom had walked for 12 or 15 hours to come to meet with me, to tell me what those initial small loans meant. And I want to emphasize that it was not just stories about what the loans bought and what they were able to do with the loans, it was the entire sense of self-worth and potential that those loans created in the women that made the biggest impression on me.

Women stood up and said that they had been vegetable vendors in the markets and had been abused by police officers, others of authority, with no place to turn to try to keep their

businesses going when times were difficult. They told me of working on their family farms, eking out a living in very hard soil with little equipment and little support. And yet, woman after woman stood up and said to me that since they had become members of the Self-Employed Women's Association, they were no longer afraid. They were not afraid to speak up for themselves, to find their place in their family and their village, to help contribute to the income that made it possible for them to think of sending a child to school or having a child get the health care that child needed.

Many of you will find and be able to relate the same kinds of experiences that I have had. And I hope that as we talk about microcredit and as we look at the physical manifestations of loan, ledgers, and I have reviewed -- of businesses that have been started, of milk cows that have been bought, we will also not forget that you are seeding those people with a dream and a hope that they will be functioning members of society whose children's lives will be better.

I've also seen firsthand what happens in Bangladesh, and for anyone interested in microcredit you know that it is a journey to the Grameen Bank that is often part of the learning experience because of the longtime efforts that have been undertaken there. When I visited with a group of women in a village outside of Jasore, I realized that I was visiting a Hindu village, and my schedule did not permit me to go down the road further to visit a Muslim village. And I wanted to see women from both communities who were participating with Grameen. The women in the Muslim village came to the Hindu village, the first time there had ever been such participation together. Never had there been a meeting like that.

And I listened as 150 Hindu women and 150 Muslim women told me how their lives had been transformed by virtue of earning income. These women had lived much harder lives than any I could even imagine, and yet they were filled with hope about their future. And one of the reasons is that Grameen doesn't just extend credit, as many of you know. It tries to put the women and the men who are borrowers not only in borrowing groups for credit purposes, but to help support one another in solidarity, to build stronger families and communities.

Each person who joins the bank has to abide by 16 decisions or principles that range from the mundane such as "we shall build and use pit latrines," to the much more difficult to explain and understand -- "we shall not inflict injustice on anyone; neither will we allow anyone to do so," or "we shall always keep our children and the environment clean." There is even one principle against dowry, which is extraordinary considering the attitudes in many of those communities about the proper role of women and certainly the importance of dowry.

As each woman waits her turn to get a loan, she knows she cannot borrow money until the woman before her has repaid her loan. So there is a built-in incentive to support each other's enterprises.

I saw women making steel and concrete beams they can sell to other women who use them to build houses with loans from Grameen and I visited such a house. So a whole self-sustaining market is created within one village.

Grameen also in Bangladesh attempts to work with children to change attitudes about what is possible for them. Here there was a skit performed in which some of the young children, young boys and girls, were talking about attitudes that were held about education, and in particular, whether or not girls should be educated as well as boys. And by performing that skit, they were serving notice that they understood there was another way, another idea of what could be possible for them.

And so when you go to Bangladesh, and you see, as many of you have, what Grameen means, just like what the Self-Employed Women's Association means in the lives of these women, their husbands, their families, it makes it clear that we're talking about not only economic transformation, but social transformation as well. (Applause.)

Some months later, I visited a microenterprise project in Denver, Colorado, here in the United States. In this case women, many of them Hispanic Americans, received career counseling and vocational training, and entrepreneurial technical assistance. It is provided by a group called Mi Casa. And here, the women were explaining to me what it meant for them to finally be taken seriously. Many had been on welfare or were just off welfare, and they were looking for an opportunity to take the skills that they had acquired and turn them into income.

Many of those women were good bakers, good seamstresses. They could make alterations. They could provide food for small restaurants. But they didn't, as we hear so often, have access to credit to get started. One woman said to me something I have never forgotten, when she described to me what it was like trying to go to her local bank. She did not have any traditional collateral, but she was a hard worker. She's always worked for other people. She had a good product to sell. But she was turned away because the amount of money that it would have taken for the bank to process her loan was not, in the bank's eyes, worth the investment. And she said, too many great ideas die in the parking lots of banks. (Applause.) And one of the hopes I have is that conventional banking will understand that there is an economic opportunity, a market niche for those willing to service this community.

I certainly was impressed by that when I was in Managua, Nicaragua, meeting with women in a borrowing group shortly after the United Nations Fourth World Conference on Women in Beijing, where the platform of action included a commitment microcredit. And as I have said, and as the President's said, much of the work that we are doing in the United States to advance microcredit is in part a fulfillment of our responsibilities under that platform of action. (Applause.)

I went here to the weekly meeting of the FINCA Group and there were about 30 women who described how they had received small loans to start neighborhood bakeries, seamstress shops -- one was making mosquito netting; one was selling auto parts door to door. I was surprised and very excited when several of the women not only gave me their products, but also asked me what I had been doing in India because some of them had seen on television some pictures of my trip to the Self-Employed Women's Association. They wanted to know what the women there were spending their money on and what businesses they were starting. And I felt

that there was an opportunity for this to be literally a global movement, with people learning from each other and supporting each other. And this is exactly what this summit means to do.

I've also been impressed by the work I've seen in Santiago, Chile, where community bank relies on peer networks to promote and sustain local microbusinesses. Here in a local market I met the vendors who were showing their commitment to the bank by putting up awnings in matching blue and yellow to demonstrate that they were part of microenterprise.

Most memorable to me was a woman who told me that as a seamstress she could not compete with the larger factories, and yet she knew there was a market for her work because she had many people who had come and asked her to make something for them but she did not have the capacity to do so. With a small loan, she was able to buy a high-speed sewing machine and replace her old, antiquated one. She said that when she got that new sewing machine she felt like a caged bird set free. And that is a good way to describe how many of the people I have met seem to feel when given the opportunity.

I saw that again firsthand recently in La Paz, when I met with borrowers at Banco Sol and had a chance to visit the bank itself -- a physical place that is dedicated to microcredit. And the people there were very proud of what they had accomplished. And the United States is pleased that this bank, now the largest bank in Bolivia, was initially supported through a loan from USAID. It is the first commercial in the world completely dedicated to microlending.

The default rate is extremely low, about 2.2 percent; and the repayment rate, obviously, extremely high. I often say to my banker friends that if they had customers like these people, who paid off their loans at 95, 97, 98 percent, they would be very happy. And I think if more banks understood -- (applause) -- the tenacity, the commitment, the entrepreneurial spirit of people like these who are given a chance to help themselves, we would go a long way in not only extending credit, but in eliminating many of the unfortunate stereotypes about people who are poor. (Applause.)

Anyone who has worked with microcredit or seen its impact around the world as I have will testify that those stereotypes are just plain wrong. Most people who are eligible for microcredit around the world work as hard as they know how, from sunup to sundown, and sometimes for many hours before and beyond. And yet, too often, those of us in positions of influence or authority or power dismiss them. We seem to have a belief that if they are poor, they are meant to be poor and will always remain poor. Yet many of us come from families, generations back who themselves were poor, and through hard work and sometimes lucky breaks and opportunities an extended helping hand, we were able to climb our own way out of poverty and to have the benefits that that gave us and our children.

These microcredit projects are proof of what we can unleash if we invest in the economic and human potential of all the world's citizens. I am heartened that so many commercial banks and finance ministries and others around the world are beginning to show such an interest in microcredit. We know that this is not the only answer; we still need investments in education and health, infrastructure in many parts of the world, but we know that this is a critical

component of what will work in nearly any setting we can define.

It is becoming increasingly obvious that this tool not only transforms lives but lifts communities and societies as well. And that, after all, is what this summit is about. It is not just about giving individuals economic opportunity, it is about community, it is about responsibility. It is about seeing how we are all interconnected and interdependent in today's world. It is recognizing that in our country the fate of a welfare recipient in Denver or Washington is inextricably bound up with all of ours. It is understanding how lifting people out of poverty in India or Bangladesh redounds to the benefit of the entire community and creates fertile ground for democracy to live and grow because people have hope in the future.

So I think all of you who have helped to make the pictures that I've shown a reality, who have been advocates on behalf of microcredit and the concepts of community and responsibility that it represents, and I hope that as a result of this summit, many, many more people will understand how microcredit can transform lives, will learn lessons on how to do it right -- (inaudible) -- all of us will recognize that as we move toward this 21st century, we have an opportunity that has seldom come, if ever, in the history of humankind. We have a world that can, with technology, democracy, free enterprise, extend the benefits of prosperity and peace to countless millions whose lives can be lifted up.

So, for all of us, I hope that we will go forward from this summit more convinced than ever that providing economic opportunity, giving people a chance to be responsible, building community can happen everywhere if we have the will to make it so. Thank you for what you're doing. Godspeed on the work ahead. (Applause.)

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