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Social Business and New Economics Paradigm

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In Memoriam

Nobel Peace Laureate Prof Wangari Maathai

The Journal Committee of The Centre for Development (CfD) Scotland pays special tribute to a towering figure in Kenya, 2004 Nobel Peace Prize winner Prof Wangari Maathai who died on Sunday, 25 September, aged 71, after a long battle with ovarian cancer. She spearheaded the struggle against state-backed deforestation in 1977 and founded the 'Green Belt Movement' which planted an estimated 45 million trees to prevent environmental and social conditions deteriorating and hurting poor people, especially women, living in rural Kenya. As a fearless social activist, her efforts to stop powerful politicians grabbing land, especially forests, brought her into conflict with the authorities. Her life-long dedication to improve the lives and livelihoods of people will continue to inspire young generations around the world. We join the *climate champion* Green Belt Movement to express: Prof Maathai's departure is a great loss to all who knew and admired her determination to make the world a more peaceful, healthier and better place.

Professor Mike Smith

The Journal Committee of The Centre for Development (CfD) Scotland and the Editorial Team of The Journal of Social Business (JSB) pay tribute to Professor Mike Smith, an Advisor of JSB Editorial Board, who passed away on Saturday, 01 October while recovering from complex surgery. He was a strong advocate of the CfD's developmental activities since 2003 when he started his career with Glasgow Caledonian University. He was actively involved in the development and launching of the Journal of Social Business in January 2011. He supported the CfD's initiative taken in February 2007 when Dr Zasheem Ahmed, in consultation with the leadership of Glasgow University, invited *Nobel Peace Laureate* Prof Muhammad Yunus, founder of Grameen Bank, for a visit to Glasgow and deliver the Adam Smith Lecture. Educated at the University of Cambridge and London School of Economics, Prof Smith had a distinguished career. He would be well remembered and revered for his passion and commitment.

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The Context of Global Microcredit Summit 2011

> 'No society can surely be flourishing and happy, of which by far the greater part of the numbers are poor and miserable' – Adam Smith in *The Wealth of Nations* (1776). Sadly, poverty is still a scar on humanity's face and a denial of every human right.

THE IDEA of small, 'collateral-free' loans for poor, developed by Nobel Peace Prize-Winning Bangladeshi economist Muhammad Yunus in 1976, followed by founding the Grameen Bank (village bank) in 1983, Microcredit as a tool to alleviate poverty has become a global phenomenon. After two decades, this movement has gained a centre-stage with Microcredit Summit Campaign planted in 1997, followed by its year-on-year strength. The Global Microcredit Summit 2011 marks the 15th year of this campaign.

As the editorial lens of this excitingly new journal defines, the purpose of a more encompassing economics paradigm is to progress the productivity and sustainability of our next generation out of every community. From this perspective, bold entrepreneurial challenges emerge all over the world in which developed nations can gain a lot from going back to basic community-grounded lessons.

And, our attempt to develop a special 'action research' issue of this journal to match the aspirations of the fifteen years of the Microcredit Summit Campaign, would refresh readers with what Dr John Hatch of the Foundation for International Community Assistance (FINCA) emphasised at the US-based citizens lobby RESULTS International Conference in 1994, calling for a microcredit summit to launch a vigorous campaign to reach the world's poorest families:

> 'Behold the largest self-help undertaking in human history – bringing hope, dignity, and empowerment to tens of millions of the world's

> poor and poorest families. Behold a movement with global outreach that has penetrated beyond city slums and market towns to even the most isolated villages. Behold an industry that embraces thousands of NGOs, credit unions, public and private banks, and an infrastructure of hundreds of thousands of community-based peer lending groups that are enabling many of the planet's most disadvantaged households to generate the additional income and savings they need to keep their children alive, nourished, healthy, and able to attend school.'

Just a couple of days after the first Microcredit Summit held in Washington, DC, USA from 2-4 February 1997, HRH Prince Charles during his visit to Dhaka met the 'real-world' microbanker, Prof Muhammad Yunus, who, he – as expressed in a Foreword to *Banker To The Poor* (1998) – found remarkable, speaking the greatest good sense. . .

> 'I have since done all I can to encourage a wider consideration and appreciation of micro-credit. . . It has a use, too, in the developed world – whether in remote rural Norway or run-down suburbs of British cities. It is remarkably cost-effective. It has a proven track record. . . Best of all, it allows poor and disadvantaged people to take control of their own lives, make something of themselves and improve the lot of their own families.'

His expression resonates what microcredit enthusiasts in Europe now advocate, it could just easily help the unemployed in Europe, where a sovereign debt crisis and eventual public spending cuts are currently compounding stubbornly high jobless figures. Even in normal circumstances, it could help those, with pitiful credit scores and the lack of collateral, who don't stand a chance of getting loans from traditional lenders, pull themselves off welfare by staring their small businesses. In this context, the European Commission's new 10-year plan to boost economic growth and create jobs, known as 'Europe 2020', presents an opportunity to integrate microcredit into EU priorities. But existing regulatory obstacles to micro-finance institution (MFI) operations in Europe need to be lifted.

Recently, Microcredit champion Prof Yunus and European Commission President José Manuel Barroso had discussions on the prospect and promotion of microcredit in Europe to lift disadvantaged communities out of poverty, and the urgency of introducing appropriate laws and regulations. It is however a welcome development that a consortium of 20 law firms are now working for a major study on the regulatory obstacles to microcredit across the EU's 27 member states. Maria Nowak, Founder of ADIE International, the biggest MFI in Western Europe, is actively assisting in this move.

In the face of worsening global economic crisis the battle between macroeconomics that disinvests in youth's futures and sustainability, and entrepreneurial economics that improves the net generation's productivity, is accelerating. Also, the lack of a pro-youth investment mindset poses a challenge to transformative economics. However, it would seem probable that both developed and developing worlds now need to action learn the transparent truth about the models that the microcredit summit set out to empower worldwide knowledge exchanges around the first Summit in 1997. In other words, all of our media now needs to value the leadership heroes and working heroines of Bangladeshi microcredit now more than ever. As an innovative Micro-Up route to economic transformation, among other things, the success of micro initiatives represents aggressive use of market forces and sustainable business practice to achieve substantive social goals. Both BRAC and Grameen Bank are classic examples of such a model. Also, originated in 1999, Jamii Bora of Kenya is a recent addition. In this spirit, perhaps, HM Queen Sofia of Spain and HRH Prince Charles of UK were inviting a wider audience to understand how Bangladesh microcredit worked as a transformative system from assumptions that 'fatal conceit' economics has spun over the last 40 years. As such, this journal forms a part of wider movement to transform economics.

This special issue aims at celebrating connectivity between 'basic human rights' areas of banking, health, education, housing, food, water and energy. And we have attempted to illustrate, alongside BRAC and Grameen, a number of Micro initiatives/projects like Jamii Bora which originated during the first 15 years of the Microcredit Summit Campaign, with focuses on does this programme integrate with other micro-practice areas or millennium development goals beyond financial impacts of ending poverty, what makes the model of the project sustainable, and what collaboration help is needed next?

Data released by the Microcredit Summit Campaign recently shows that while more than 205 million people worldwide received a microloan in 2010, this multi-year campaign focuses on outreach to the poorest clients. According to the report, over the last 13 years, the number of very poor families with a microloan has grown more than 18-fold from 7.6 million in 1997 to 137.5 million in 2010. The latest data comes from more than 3,600 institutions worldwide, with more than 94 percent of the information having been collected within the last 18 months.

The Campaign's goal set for 2015 that 175 million of the world's poorest families, especially the women of those families, would be receiving credit for self-employment and other financial and business services. With an average of five in a family, this would affect 875 million family members.

Figures released by the Microcredit Summit Campaign on 28th January, 2011 shows that nearly 2 million Bangladeshi households involved in microfinance – including almost 10 million family members, rose above the US$1.25 a day threshold between 1990 and 2008. Dhaka-based Economic Research Group (ERG) undertook the survey between February and August 2009, covering more than 4,000 Bangladeshi households. This survey included a large number of clients from BRAC and Grameen Bank, two Bangladeshi institutions known for their groundbreaking efforts to end rural poverty.

While successes of micro initiatives leading to improved lives out of microloans continue, over-indebtedness from multiple loans, coercive collection practices, exorbitant interest rates and mission drift arising out of two MFIs (Compartamos in Mexico and SKS in India) hugely profiting from Initial Public Offerings (IPOs), appear as grey areas – concerns and fears, and pose a challenge to the sector's direction. It's good that the Summit plenary and workshops sessions have been designed to address, debate, interact and redefine the way forward while reasserting the integrity of the MFI sector – not to benefit out of poverty and lose sight of its development focus. Also, many of action learnings described in this special issue via deliberations by resourceful practitioners about their exciting initiatives devoted to ultra-poor in rural areas and in urban slums, institutions offering student loans and scholarships to tens of thousands children from extremely poor and illiterate backgrounds, and initiatives linking microfinance with health and clean energy, and with agriculture and clean water, will hopefully reinforce the promise of MFI sector.

It's an optimism that The Global Microcredit Summit 2011 in Valladolid, Spain will be a lively, interacting assembly of understanding, respect and commitment towards microcredit borrowers worldwide – the millions of men and women who have set their great expectations on this Summit.

Dr Zasheem Ahmed PhD (Econ)
Editor-in-Chief
October 2011

The Future:
In Eyes of 'Banker To The Poor'

PROF MUHAMMAD YUNUS
Nobel Peace Laureate
Founder of Grameen Bank
Bangladesh

[The author illustrated in Chapter Fourteen (pp245-262) of *Banker To The Poor* (Public Affairs, New York, 1999, 2003, 2007) what actually happened surrounding the holding of the first ever Microcredit Summit in 1997, and how he, along with Dr John Hatch of FINCA, joined hands with Sam Daley-Harris of RESULTS, the citizens lobby on ending global poverty, in founding the Microcredit Summit Campaign in 1995. While developing the JSB special action research issue dedicated to the first fifteen years of the Microcredit Summit Campaign, we found this Chapter of Muhammad Yunus' widely publicised book quite relevant and profoundly value its merit. And with the permission of the author, some parts of Chapter Fourteen are reproduced here.]

WE OFTEN refer to the Next Century as if we were talking about the next twenty-four hours. But the next century means the next 100 years – and we are already on our way. I don't think anybody has the knowledge or wisdom to predict what will happen to the world and its inhabitants during the next 100 years. The world is changing in such unpredictable ways and will continue to become more and more unpredictable as we move through this century. All we can say with a fair amount of certainty is that the speed of change will become faster and faster – it is very unlikely to slow down. Take all the accumulated knowledge, discoveries, and inventions up until the end of twentieth century, and in the next 50 years alone, this will grow perhaps several times. That is the kind of incredible speed of change that we are approaching.

If somehow we could come back to today's world 100 years from now, we would definitely feel as if we were visitors from some prehistoric age. If we try to imagine what the world will be like twenty-five years from today, we would have to create science fiction.

The momentum for change is clearly in place. The insatiable quest for knowing the unknown, the eagerness of business to put technology at the service of consumers, and the military arms race between nations have all helped create this momentum. The real question is whether these changes will bring the human race closer to or farther away from desirable social and economic conditions.

The answer is obvious. If we consider ourselves passengers on 'Spaceship Earth', we will find ourselves on a pilotless journey with no discernable route to follow. If we can convince ourselves that we are actually the crew of this spaceship, and that we must reach a specific socioeconomic destination, then we will continue to approach that destination – even if we make mistakes or take detours along the way.

We need to know the destination – if not in a precise way, then at least a generalised way. Before we actually translate something into reality, we must be able to dream about it. Any socioeconomic dream is nothing but the first step in the process of mapping the course to our destination. If we do a good job in identifying our destination, more innovations and changes will take place to help us reach it.

So the real question is not so much where we will be in the year 2050, but where we would like the world to be in 2050.

By that time, I want to see a world free from poverty. This means that there will not be a single human being on this planet that may be described as a poor person or who is unable to meet his or her basic needs. By then, the word 'poverty' will no longer have relevance. It will be understood only with reference to the past.

World Micro-Credit Summit: To Reach 100 Million By The Year 2005

Sarn Daley-Harris, executive director of RESULTS, was getting tired of lobbying the US Congress for tiny sums of money. He could see that despite his great work in alleviating poverty, the problem was simply too big. Something dramatic was needed. Sam had witnessed the amazing success of Jim Grant, executive director of UNICEF, and his Children's Summit of 1990, when the world's leaders came to New York City and signed on to ambitious goals.

So Sam started toying with an idea of a gala event, a summit for micro-credit. Dr John Hatch, founder of the Foundation for International Community Assistance (FINCA) spoke at the RESULTS International Conference in 1994 and called for a Microcredit Summit. His six-page paper expounded his vision of reaching the 200 million poorest families – the entire population of poor people in the world – with microcredit in ten years.

Sam sought a reasonable but ambitious target for the summit. [Both Sam and John showed the paper to me as a Board member of RESULTS – See p56 of JSB, January 2011 Issue, Vol.1, No.1.] I thought we need a more achievable target. I suggested a goal of reaching the 100 million poorest families in the coming ten years, 1996-2005. Sam Daley-Harris proposed that we organise a world summit, taking this as its goal.

At first we thought of it as a get-together, or a dream-together of about five hundred people. Gradually it was revised upwards to one thousand participants.

Drafting our declaration proved to be very contentious. Everyone wanted to rewrite the declaration, and I was disappointed to see how the summit preparations opened up conflicts – among various organisations – all of which were trying to achieve the same thing: 'poverty alleviation'. Sam grew increasingly frustrated. I tried to cheer him up by saying that we had to confront all our academic, institutional and philosophical differences head-on. It was easy for me to say this from the safety of Dhaka, but Sam was the focal point for everyone's anger.

We had to set a date for the summit. We had always planned to have it in 1996 – the initial year of our ten-year period. We needed to choose a hotel. The critical question was how many participants we were expecting. Each gave their expected number. I said 3000, which startled everybody even though!

Sam acted prompt: a hotel in Washington, DC, which could accommodate a conference of 3000 participants, was booked for the first available dates in early February 1997.

Summit preparations were hectic, but the outpouring of support thrilled us. The Micro-credit summit was finally held on 2-4 February 1997, and its success as a call to worldwide action fulfilled our wildest dreams. About 3000 people from 137 countries gathered in Washington, DC. [The Summit attracted Presidents and Prime Ministers from five countries, First Ladies from another five, along with Queen Sofia of Spain and Queen Fabiola of Belgium – See p59 of JSB, January 2011 Issue, Vol.1, No.1.]

The three co-chairs of the Summit, the First Lady Hillary Rodham Clinton, Queen Sofia of Spain and Dr Tsutomu Hata, the former prime minister of Japan, made passionate and forceful speeches. Hillary Clinton hailed the summit as 'one of the most important gatherings that we could have anywhere in our world'. She went on to explain:

> It [micro-credit] 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 recognising that in our country, the fate of welfare recipients 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 rebounds to the benefit of the entire community and creates fertile ground for democracy to live and grow, because people have hope in the future.

Sheikh Hasina, the prime minister of Bangladesh, chaired the summit's opening plenary session. On the podium she was joined by Alpha Oumar Konare, the president of Mali, Y K Museveni, the president of Uganda, P M Mocumbi, the prime minister of Mozambique, Alberto Fujimori, the president of Peru, Queen Sofia of Spain, Dr Tsutomu Hata, Dr Siti Hasmah, the First Lady of Malaysia and myself. It was an electrifying start to a world-first, historical event.

The Summit organised the participants into separate specialised councils: the Council of Practitioners, the Council of Donor Agencies, the Council of Corporations, the Council of Religious Institutions, the Council of UN Agencies, the Council of International Financial

Institutions, the Council of Advocates, the Council of NGOs, and the Council of Parliamentarians.

It was indeed a macro-event for micro-credit. During those three days, the whole world came together to discuss solutions to poverty. And the energy generated by listening to other leaders and other advocates, and by meeting so many colleagues, friends and supporters, brought tears to our eyes. It was obvious to all of us there that if we could maintain this level of interest during the next nine years we could not only meet but overshoot the stated goal of the summit.

Robert Rubin, secretary of the US treasury, Jim Wolfensohn, president of the World Bank, Gus Speth, administrator of UNDP, Carol Bellamy, executive director of UNICEF, Dr Nafis Sadik, executive director of UNFPA, Frederico Mayor, secretary general of UNESCO, Huguette Labelle, president of the Canadian International Development Agency, Brian Atwood, administrator of the USAID, Fawzi al-Sultan, president of IFAD, all excelled in inspiring the delegates at the plenary sessions. Each speaker declared his or her uncompromising commitment to the alleviation and eradication of poverty through micro-credit.

Bella Abzug, the co-chair of our Council of Advocates brought the delegates to their feet when she said: 'Never, never, never underestimate the historic importance of what we do here today. And no matter how steep the pass, how discouraging the pace, I ask you to never give in and never give up.' The delegates made their response very clear by thumping their applause, and it was easy to sense they would never give in or give up until our vision was achieved.

Micro-credit practitioners from all over the world were busy preparing a high-school music teacher like Sam Daley-Harris, and on his individual volunteers? Why do we not elect officials and support political parties who will put this at the top of their agenda?

* * *

When my turn came to speak at the opening plenary session of the summit, I found myself thinking of 'Jobra' and my very first 'borrowers'. It was those people, with their lives of simple dignity, who had radically changed me from a *bird's-eye-view* economist, teaching elegant theories in a classroom, to a *worm's-eye-view* practitioner, helping to effect real and lasting change in people's lives.

I sensed that here, in this hotel ballroom in Washington, DC, we had enough political leadership to make things really change on a global level. At last we can reach the millions of poor in the world who were waiting for things to happen, so that they could help themselves to become self-sufficient and live a life with dignity.

I stood up and made the following statement:

> As we assemble here, I ask myself, 'What is the Micro-credit Summit about? Is it another Washington gala event?'
>
> Personally to me it is an emotional event. Like me, there are many here today for whom it is a deeply emotional experience. It is emotional, because we have been working very hard to make this day happen. Finally it has happened. I wish to take this opportunity to thank millions of micro-borrowers and thousands of staff who have been working hard to right a wrong which has caused so much avoidable human misery.
>
> To me, this summit is a grand celebration – we are celebrating the freeing of credit from the bondage of collateral. This summit pronounces good-bye to a long era of financial apartheid. This summit declares that credit is more than business. Just like food, credit is a human right.
>
> This summit is about setting the stage to unleash the human creativity and potential of the poor. This summit is to guarantee every poor person the chance to undertake responsibility and to reclaim his or her own human dignity.
>
> This summit is to celebrate the success of millions of determined women who transformed their lives from extreme poverty to dignified self-sufficiency through micro-credit programmes.
>
> This summit is about creating opportunities for 100 million of the poorest families to follow in the footsteps of these successful women.
>
> This summit is not a fund-raising event. I repeat – this summit is not a fund-raising event. This summit wants to inspire the world by putting together all the good news we have created during the past years. This summit wants to build will, wants to build capacity, wants to end poverty in the world.
>
> Only one hundred years back, men were still struggling to find a way to fly. Many people seriously thought men would never fly. Those people who were committed to the idea of flying were looked upon as crazy people. In 1903 the Wright brothers flew their first plane. It stayed in the air for just twelve seconds. Yes, twelve seconds. It covered 120ft. At that moment the seed of a new world was planted. Only

sixty-five years later, man confidently went to the moon, picked up moon rocks and returned to the world. The whole world watched every moment of it on television.

In the micro-credit field, we are just testing our wings in Wright brothers' plane. We are covering 120ft here, 500ft there. Some find our plane unsafe, some find it clumsy, some find it not good enough for the job. We can assure you we'll soon fly our Boeings, our Concords; we'll be ready with our booster rockets.

We believe that poverty does not belong in a civilised human society. It belongs in museums. This summit is about creating a process which will send poverty to the museum.

Only sixty-five years after the twelve-second flight of the Wright brothers, man went to the moon. Sixty-five years after this summit, we will also go to our moon. We will create a poverty-free world.

With the energy that I feel in this room, I feel more confident than ever before that we'll make it. Ladies and gentlemen, let us make it! Thank you.

As I finished my statement, I looked at the audience. I knew there was applause, but I did not hear it. All I heard inside of me was millions of determined voices rising from all over the world saying: 'Yes we can do it, we can make this happen, we can make this ambitious, mad, crazy, impossible dream a reality! We can have a world free of poverty!'

* * *

[Just a couple of days after the Microcredit Summit held in Washington, DC, USA from 2-4 February 1997, HRH The Prince of Wales during his visit to Dhaka met the 'real-world' banker to the poor – Prof Muhammad Yunus, who he found remarkable – speaking the greatest good sense. . . The Foreword HRH wrote for *Banker To The Poor* (1998)[1] is reprinted here, given its profoundly impactful merit in the context of The Journal of Social Business (JSB) joining the Global Microcredit Summit 2011 to Celebrate Successes of Micro Micro Initiatives – originating from the Bangladeshi village 'Jobra' (Grameen Bank) in 1976 and Kenya's urban slums (Jamii Bora) in 1999 to affluent Western cities.]

[1] Published by The University Press Limited, Dhaka, Bangladesh.

ST JAMES'S PALACE

I first met Muhammad Yunus in February 1997, during a short visit to Dhaka. I had heard a little about him and his ideas from friends in Britain and was most curious to meet him.

I found a remarkable man. He not only spoke the greatest good sense but had, against huge odds and in the face of dreadful cynicism on the part of the so-called experts, followed his ideas through and made them work. I also found an inspiring, entertaining and confident interlocutor who sent me away with a new and invigorating sense of what can be achieved with energy and determination.

I have since done all I can to encourage a wider consideration and appreciation of micro-credit. It is an essential part of any sensible mix of development policies – as Muhammad Yunus has demonstrated beyond all doubt in Bangladesh. It has a use, too, in the developed world – whether in remote rural Norway or run-down suburbs of British cities. It is remarkably cost-effective. It has a proven track record, described in a full and entertaining way in the pages which follow. Best of all, it allows poor and disadvantaged people to take control of their own lives, make something of themselves and improve the lot of their own families.

I hope that this book will bring the benefits of micro-credit to an even wider audience. I know that it will fascinate and entertain. Perhaps it will also serve as a reminder to those who think they have grand and global solutions to the challenges of the world that it is often through the grass roots, by listening to those whose lives they seek to change, that true and sustainable solutions, in tune with the land and the human spirit, will be found. I commend it to you.

HRH The Prince of Wales □

Her Majesty Queen Sofia of Spain Speaks At 2010 Africa-Middle East Regional Microcredit Summit[1]

> 'We are convinced that poverty is the denial of every human right and its eradication the speediest way of bringing down the invisible barrier which isolates the most deprived from the rest of the world. And this is the best homage we can render to the millions of men and women who have set their expectations on this Summit, which I hope shall be known in the future as the Summit of justice and solidarity.'
>
> HM Queen Sofia
> 1997 Microcredit Summit

MR PRESIDENT, Mr Deputy Prime Minister, Her Royal Highness the Crown Princess of the Netherlands, Professor Muhammad Yunus, Mr Sam Daley-Harris, Director of the Microcredit Summit Campaign, speakers and delegates, Ladies and Gentlemen, it is a pleasure for me to take part, as I have done in previous years, in a new Microcredit Summit. The fact that the present meeting takes place in Kenya, in the heart of Africa, has further encouraged me to attend it as I am aware that the right application of microcredit policies in this region shall be one of the most powerful and supportive instruments we can use to improve the continent's future.

Thirteen years have gone by since we first gathered in Washington, DC for the 1997 [Global] Microcredit Summit, in order to start defining

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[1] With the permission of the Microcredit Summit Campaign, Her Majesty's speech is printed here while developing a special action research issue of JSB dedicated to the First 15 Years of the Microcredit Summit Campaign. Also, excerpts from H M Queen Sofia's speech at the 1997 Microcredit Summit is quoted. Her Majesty Queen of Spain, and Honorary Co-Chair of the Microcredit Summit Campaign, has attended 7 Global or Regional Summits since 1997.

and planning the goals we wanted to reach, by putting into practice the new formidable tool of microfinance doctrine. Today right here in Africa, a land where microcredit can still work with high efficiency at lessening the continent's various levels of poverty, I wish to pay a tribute of gratitude and acknowledgment to two people, who with their constant courage and effort have put microcredit at the forefront of current world news. I am talking about our dear and admired Professor Muhammad Yunus, Nobel Peace Prize [winner], who was capable of making effective, such a simple and brilliant idea as microcredit. He was tenacious, enthusiastic, and caring enough to turn a tiny seed of love, into a huge forest of hope, commitment, and solidarity, spreading all over the world.

Take for instance, his new initiatives launched from Grameen Bank, like the constant increase of operations, related to new businesses with social goals, based, as always, on mutual trust between the bank and its clients. As Grameen Bank mainly operates in local currency, it has been able to weather the present world crisis with a certain confidence because its clients with their deposits are able to finance subsequent loans to the more needy borrowers.

But none of this would have been possible without the help of Mr Sam Daley-Harris from his post as Director of the Microcredit Summit Campaign. Over the years he has skilfully coordinated the continuity of the Summit system, always adapting when necessary microcredit theory to practice, in order to achieve the best possible results. As well as both of them, I want to thank most warmly, all those anonymous helpers everywhere who have tirelessly worked to give back to so many women their dignity.

Everyone here today can bear witness to this peaceful tidal wave of understanding, affection, and commitment towards microcredit borrowers worldwide. To those involved, my deep gratitude for their solidarity.

Muy brevemente quiero expresarles la actuación de mi país, España, en relación con la ayuda que presta al desarrollo y fortalecimiento de esta importante modalidad microfinanciera. Desde el inicio de sus actuaciones en 1998 dentro del fondo para la concepción de microcréditos gestionado por la Agencia Española de Cooperación Internacional para el Desarrollo se han formalizados operaciones de préstamo por un importe total de 713,000 de euros. Estos préstamos se han adjudicados a 89 instituciones microfinancieras. En su mayoría de primer piso del sector privado lo que ha beneficiado a más de dos *millones y medio de microempresarios de países en desarrollo.*

[Translated from above] Very briefly, I want to share with you to you how my country, Spain, is providing assistance to the development and strengthening of this important microfinance tool. From the beginning of its activities in 1998 through the microcredit development fund managed by the *Agencia Española de Cooperación Internacional para el Desarrollo* (Spanish Agency for International Development Cooperation or AECID), Spain has formalised loan operations, totalling a considerable 713,000 Euros. These loans have been awarded to 89 microfinance institutions. For the most part, they serve the first tier of the private sector, which has benefited more than 2.5 million micro-entrepreneurs in developing countries.

Our microcredit fund is at present operating in 26 countries, granting loans that range from a minimum of 600,000 Euros to a maximum of 20 million Euros with an interest rate of 5.75% and a repayment time limit of 10 to 12 years, and a grace interest time period of only 5 years. Loans are given in Euros or Dollars – although, in 2009, the first lending operations in local currencies were also approved. Alongside these policies implemented by the state of Spain, equally important initiatives are being operated by our banks and savings banks who have contributed with significant sums to promoting the flow of microfinance across the world.

In fact, in 2008, La Caixa, our biggest savings bank, created a specialised branch called 'Micro-Bank', exclusively devoted to granting microloans to families and individuals, who want to start small businesses and are excluded from the traditional lending system because they lack guarantors. Since it began operations, Micro-Bank, has given more than 60,000 microloans in just two years. As final proof of my country's involvement and interest in the subject of microcredit, I am glad to inform you that next year Spain will hold in the city of Valladolid from November 14th to 17th the next world Microcredit Summit. It will be the first time that a summit of this kind takes place in a European country.

I take this opportunity to extend to you all my heart-felt invitation to come to Spain next year and join us for this important event. You may count on the friendliest and warmest welcome from my fellow citizens. We look forward to seeing you all in Valladolid. Thank you very much. □

A Deeper Vision for Microfinance: Restoring People's Honour and Worth

SAM DALEY-HARRIS[1]
Microcredit Summit Campaign
RESULTS
Washington, DC, USA

WHEN DELEGATES gather at the 2011 Global Microcredit Summit in Valladolid, Spain, there will be a great deal of positive energy but the atmosphere will be markedly different from the Global Microcredit Summit five years earlier.

The month before the 2006 Summit the Norwegian Nobel Committee announced that Professor Muhammad Yunus would share the Nobel Peace Prize with Grameen Bank, the groundbreaking micro-bank he founded in Bangladesh decades earlier.

A year before the 2006 Summit the United Nations observed the Year of Microcredit which was established to coincide with the deadline for the Microcredit Summit's goal, set in 1997, to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by 2005. That goal was eventually surpassed in 2007. The mood at the 2006 Summit was absolutely celebratory.

Fast forward five years and you find a significantly different environment. The ouster of Prof. Yunus from Grameen Bank in a terrifyingly

[1] He is Co-founder of the Microcredit Summit Campaign which seeks to reach 175 million poorest families with microcredit www.microcreditsummit.org and Founder of RESULTS, which seeks to create the political will to end poverty www.results.org. In 2012 Daley-Harris will launch The Centre for Citizen Empowerment and Transformation. Contact Email: samdharris@microcreditsummit.org

reckless set of acts by that country's government was just one of several events in the last year that have sent chills throughout the microfinance industry. While the promise still remains, challenges have arisen that question the direction of the field.

One story that demonstrates microfinance's promise as a transformational intervention centres around a visit to Bangladesh 20 years ago. Two friends from the US were interviewing a group of borrowers in a rural village.

'What has been the impact of your loans on husbands of the non-borrowers?' my friends asked. 'Not your husbands, but the husbands of women who are *not* in the micro-bank'.

The women discussed the question and then responded.

'Before we took our first loans, our husbands were day labourers, working for others whenever they could find work,' one of the women said. 'But when we received our first loans our husbands stopped being day labourers and worked with us – operating a bicycle rickshaw, or husking rice, or growing garlic on leased land. As a result, there became a shortage of day labourers in this area. This shortage caused the wages of day labourers to rise. That was the impact of our loans on the husbands of non-borrowers.'

The stories of improved lives continue, but they are now joined by concerns of over-indebtedness in some areas and fears that a portion of the field has lost its way. A brief walk through the agenda of the Global Microcredit Summit in Valladolid, Spain shows an industry that has begun to face its shortcomings. One of the key Summit plenary papers is titled 'Challenges to the Field and Solutions: Over-Indebtedness, Client Drop-Outs, Unethical Collection Practices, Exorbitant Interest Rates, Mission Drift, Poor Governance Structures and More'.

The paper will discuss a number of initiatives that have been launched to address these challenges which will also be discussed in some of the workshops and day-long courses.

For example, in response to opaque interest rates and charges of usury, Chuck Waterfield created Microfinance Transparency and has authored a paper for the Summit to address those issues. Beth Rhyne leads the Centre for Financial Inclusion and has authored a paper focused on client protection, a topic no one thought would ever be needed two decades ago. The head of the Social Performance Task Force, Laura Foose, has authored a paper on ensuring an organisation puts as much attention on its social bottom line as it does on its financial bottom line.

It is critical to note that these initiatives are not mere window dressing, but are becoming more and more central throughout the field.

Many would argue that it was an unchecked drive toward maximising profits by some institutions that has pushed the field to this point. That will be part of the debate in a workshop titled: 'Initial Public Offerings: The Field's Salvation or the Field's Downfall?' The source of the field's problems may be looked at this way: (a) some institutions no longer know their clients and have stopped asking what more their clients need to move away from poverty; and (b) too many institutions have not heeded Professor Yunus' response two decades ago when a questioner asked what his strategy was in forming Grameen Bank. Here is what he answered:

> I didn't have a strategy, I just kept doing what was next. But when I look back, my strategy was, whatever banks did, I did the opposite. If banks lent to the rich, I lent to the poor. If banks lent to men, I lent to women. If banks made large loans, I made small ones. If banks required collateral, my loans were collateral free. If banks required a lot of paperwork, my loans were illiterate friendly. If you had to go to the bank, my bank went to the village. Yes, that was my strategy. Whatever banks did I did the opposite.

Some institutions have lost their groundbreaking foundation.

But it surely is not all disturbing news. Delegates will learn of institutions that are providing tens of thousands of college loans and scholarships to children whose parents are illiterate. They will learn of programmes that are working with the ultra-poor in rural areas and in urban slums. Delegates will learn how organisations are linking microfinance with health and clean energy and with agriculture and clean water. This is just some of what the Summits 100 sessions will offer.

Perhaps the most important glimpse of the Microcredit Summit Campaign's work in the coming years is found in a plenary paper titled, 'Beyond Ethical Financial Services: Developing a Seal of Excellence for Poverty Outreach and Transformation in Microfinance'. The Seal of Excellence initiative has its origins in remarks I made at the Africa-Middle East Summit in Nairobi, Kenya in 2010:

> When the Summit opened, I spoke about the gang member known as 'the general' whose life had been transformed by microfinance. I said that there are many visions for microfinance including this one: microfinance for redemption. The dictionary defines redemption as

restoring one's honour and worth, setting one free.

It was at the Summit in Kenya that I realised that there might be many visions for microfinance, but my vision for the field is microfinance for redemption. On the first day of the Summit Ingrid Munro of Jamii Bora introduced us to Wilson Maina who was one of the most wanted criminals in Mathare Valley slum in Nairobi. Wilson said he would rather die quickly from a policeman's bullet than die a slow, death from hunger. That was why he had turned to crime.

But a member of Jamii Bora's staff saw a better life for Wilson and helped him see a better life for himself. Over a one year period Wilson saved US$10, none of it from stealing, and then received a US$20 loan. Wilson now has four businesses and has convinced hundreds of youth to get out of crime. How is that for a return on investment? He has convinced hundreds of youth to get out of crime. It might not be the return on investment some investors want, but it is the return on investment that communities need and the return on investment that the world needs.

The world's poor need this kind of redemption – redemption that restores their honour and worth and sets them free. Redemption that Prof Yunus saw with the US$27 he lent to 42 people 34 years ago – redemption he has seen over and over again for more than three decades.

And here is another kind of transformation the world needs – that we look at people whom we had previously seen as the problem instead as the solution. The world needs us to change our own thinking rather than writing people off as incapable of transforming their own lives.

We hope that the Summit in Valladolid will bring these kinds of profound changes in thinking and action for the delegates. □

Search Towards a 'Global Village' Networking Economy and The World's Greatest Maths Error

CHRIS MACRAE[1]
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BY WAY of context, armed with MIT database technology that emerged in the 1970s, my statistician peers and I have researched the societal value multipliers of markets in 40 countries over a third of a century. My dad's livelihood of entrepreneurial journalism on what is and isn't economical about marketing practices goes back to 1949 when he joined *The Economist* magazine. His curiosity and love of life had helped him to teach himself basic precepts of economics from an Indian correspondence course while working as a teenager to navigate RAF planes in World War II out of modern-day Bangladesh.

My family and friends have become ever more concerned as to how markets can be used in two opposite ways:

- Dismally to become ever less economical and less sustainable; and
- Optimistically to free (lively young) peoples' productivities and communities' sustainability.

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Actionably, this dilemma of ‘questioning how economics would increasingly rule the world’ was the final warning which Keynes tutored his last classes of students including my father Norman Macrae at Cambridge in 1948. Any market system gravitated by purpose is a tensely structured exchange of productive and demanding relationships. It is mathematically predictable that it will spin ever more uneconomically when there are too many players with the same me-too offers. They are at risk of resorting to more and more advertising and addiction, more and more costly channels, uneconomic defensive strategies that professors in ivory towers are hired by the big-get-bigger to preach, professional monopolies who lose the Hippocratic responsibilities for whole truth which societies entrusted to them, and the depressing politics of humanly unproductive power games. This increases conflicts at borders like nobody’s business – a terrifying consequence of man’s unnatural temptations to command and control which Hayek termed as macroeconomics’ *Fatal Conceit*. And, as this compounds exponentially, across generations, educators, children and adults lose quality time and open spaces necessary for common sensing of unique purposes, which innovation could have helped free the human race to integrate, and helped save families to compound sustainability across generations.

For an interesting US CEO perspective on purpose and conscious leadership, search youtube.com for Mackey and rainforest alliance, or visit wholeplanetfoundation.org where you will see how every two years WholeFoods doubles the number of Bangladeshi-inspired microcredits it is planting across all the hemispheres and deeply diverse cultures. It freely markets this, as its people interact their uniquely purposeful business of sourcing as much organic foods as American supermarkets can afford.

My first experience of the internet was to cut and paste a book which I published openly with The Economist Intelligence Unit with the aim of searching out: what is the unique multi-win purpose of any market that might have critical impacts on life? This research started in 1996, and I was fascinated how increasingly those who worked with the poorest, including the originators of the microcredit summit, came up with more joyfully productive (and sustained value multiplying) definitions of markets than those who worked with the markets of the richest men in the world. Today, we can celebrate the knowledge that banks for the poorest believe the true purpose of credit and savings is served when credit communally identifies the moment in life a person most needs a loan to maximise her income-generating entrepreneurship, and wishes to develop her family. Whereas the purpose big bankers in rich places believe in is: trapping customers and communities, in debt fanned by conspicuous consumption as well as trapping governments in debt so that we end up with the agencies of over-standardised short-term ratings ruling the world. I would prefer my daughter to live in a twenty-first century where we empower deeply cultural sustainable contexts determining what working lifetimes are available. This energetically and happily renews a model which microeconomists openly began mapping in the 1950s: the search towards a two million 'global village' networking economy.

I. Grameen Shikkha Empowering Rural Girls

Grameen Shikkha (Education) is dedicated to a rapid spread of education for the development of society in general and for improvement of life standards of poor women and children in particular and thus creation of a society free from illiteracy and poverty. Especially, it helps the poor students, adolescent girls, women and children in the rural areas of Bangladesh.

Grameen secondary scholarships energise dedicated students of Grameen members (borrowers). Without these funds families could not afford for the child to continue schooling after primary stage. Education development of children has been a member's commitment from the start of Grameen in 1983 – sending all members' children to primary school being one of the 5 star valuation criteria on which all branches of the bank are graded. At least two thirds of scholarships go to girls which consolidates Grameen's leading worldwide impact and partnerships in girl empowerment.

The model is funded by donors who give at least 5-year free loans, US$1,500 being sufficient to ensure one child's progress through secondary education. Loans are rolled on to another child unless the donor needs their money back. Started in 1997, the programme is doubling its reach every 21 months or so – a total of 132,500 scholarships appear in Grameen's monthly reporting of achievements as at May 2011. This is one of the most economic programmes of its type and its supporters would love to share practical ideas with other leading programmes with a similar purpose.

Grameen's cultural mission and compound impact through a third of a century has revolved round an intergenerational promise. This has been to help members (mainly village mothers) to confidently income generate, pass beyond the poverty line and to help their children go way beyond this. Education of members' children is how Grameen breaks generations of illiteracy in the village. Dr Yunus fosters a micro-entrepreneurial culture by telling Grameen members' children to go out and create jobs and/or get qualified to deliver vital services in the village. Your mothers have proven they can be income-generating, just think what you with your educational advance in life can do.

Grameen's goodwill multiplies through hundreds of thousand village hubs and its direct relationships with youth make it a fast performing partner for 'girl effect' foundations around the world. To date Grameen Shikkha has received funds from more than 180 sponsors to support more than 2,600 students. Grameen Shikkha Scholarship Management Programme has sponsors like The Hunter Foundation UK, The Green Children Corporation USA, Grameen Foundation USA, GSRD Foundation Netherlands, Small Planet Fund USA, NOKIA, Rotary International District 2670 Japan, hessnatur Germany, Holcim Bangladesh Ltd., SOLAS s.a.s. Italy, etc. Her Majesty Queen Sofia of Spain sponsored 60 poor high school and university students under this programme. Citi Foundation is sponsoring 35 female students in six public universities of Bangladesh.

The Grameen Shikkha programme is tailored to help girls after secondary school become nurses, multiplying as much peer to peer action learning as possible. In Bangladesh and around the world millions of nursing jobs in the villages can be one of the most exciting united ways to make progress on increasing productive lifetimes in 2010s.

Co-founder of Grameen, Mrs Begum, is the originator of the secondary scholarship and Grameen Shikkha programmes. She 'links in' world class education entrepreneurs wherever advances by and for youth job creation are networked.

http://www.grameen-info.org/grameen/gshikkha/

Context: Microcredit Summit 2011 Workshop – 'Empowering the Children of Microentrepreneurs with Primary and Secondary Education, College Scholarships and Loans, and Financial Services for Their Businesses'.

II. Transforming Lives Through Free Tertiary Education
South African Case

Imagine a world in which the most valued professionals are those who help masses of people (from infancy onwards) optimise productivity and sustainability in their lifetimes. What is known is that the first 145 years of *The Economist* magazine was an editorial search not for an abstract excellence but the social action of optimising productivity opportunities of all the peoples. This is also integral to the way the word 'entrepreneur' was coined in France. And when Keynes tutored his last classes of students at Cambridge it was core to the Hippocratic Oath he required of the professional economist. In his last years, Keynes became concerned with the risky conclusion of his general theory 'increasingly only economics will rule the world' (see Norman Macrae's Sunshades in October 1963).

If the people who had assembled at the first Microcredit Summit in 1997 had been asked to vote: once we have identified the handful of most economic microcredit models, do you expect it will be found that the role of educators will have been integral in all of these models? I wonder if the majority would have said yes.

In any event, the family and friends of Norman Macrae are determined that The Foundation that bears his name will value spaces where educators and microeconomists work with each other's joys as well as empowering youth's millennium goals. We welcome portraits of microeconomists and educators that countries' peoples celebrate most.

To open this series Lesley Williams in Johannesburg profiles one of her greatest heroes Dr Taddy Blecher in South Africa. Currently about 10,000 entrepreneurs link in their own lives' works through 40 cities (www.the-hub.net). It is fortunate that what members of (and visitors to) African hubs value most is in Lesley's charge to facilitate and build – coming as her family tree does from the lands and community cultures of Mandela and Gandhi.

South Africa has a desperate need for education. More than 5 million youth are unemployed and 85% do not have access to education. Only 1 in 100 first year primary school goers are averaged to graduate from college. Tertiary education is not an option due to poverty and any form of entrepreneurship is mostly for subsistence living.

Dr Taddy Blecher[2] is considered to be South Africa's pioneer in free education. He is co-founder and CEO of Maharishi Institute, offering students conscious-based education where they can access intellectual, emotional, physical, and spiritual growth. He believes that every human being is a genius waiting to happen. Inspired by the experience of his own family where his father shifted the course of the family in one generation moving from hardship to seven academic degrees and providing the best education to all his children. He believes that there are brilliant children throughout the country who lack opportunities and mentorship.

Free tertiary education was first pioneered in South Africa through setting up the CIDA City Campus. The non-profit, private higher education institution contributes to the social and economic development of the country by providing access to quality higher education and skills development for financially disadvantaged students. Students pay €35 for the first year and € 15 a month in the following three years, about 7% of what they would pay at other universities. They also contribute to the running of the university by helping with cleaning, maintaining computers and working in the administration offices.

As part of their degree, students are required to return to their communities during the holidays. A pay-it-forward philosophy allows lessons learnt to be shared within their communities of origin. While some teach, others mentor teenage orphans responsible for looking after younger siblings. Often the first members of their families to go to university, graduates then step into a life that was previously out of reach.

Masharashi Institute's response to the desperate need for education is to provide two educational programmes. Students begin with a two-year foundation programme before they can start their business degree. The aim is to bridge unemployable youth into education and entrepreneurship by teaching 25 essential life skills including: maths, English, digital literacy, leadership and self-development. This is followed by a three-year internationally accredited BBA degree. By building a Sustainable Education Loan Fund, the Institute will become a self-sustaining entity which funds the tuitions of degree students by having them participate

[2] Dr Taddy Blecher is also the founder or co-founder of Invincible Education Group, Branson School of Entrepreneurship (with Sir Richard Branson), CIDA City Campus, and CIDA Empowerment Fund, all dedicated to empowering the youth of South Africa through education. His model has also inspired the founding of TSIBA (Tertiary School in Business Administration) with campuses in Cape Town and Eden, situated in the heart of the rural village Karatara.

in a 'learn and earn' programme; entering in his/her first year, the student receives a bursary loan from the Institute worth €1,200. The second year is further funded by a €1,700 bursary. In their third to fifth year, when doing their business degree, the students are employed by Invincible Outsourcing, a call centre company that is governed by the Institute and enables the students to pay back their bursaries. The loans paid back fund a new student enrolling in the programme, ensuring its continuity.

By employing the students, they gain valuable work experience that will in turn make them more attractive to the labour market and increases their chances of immediate employment after graduation. Capable students are allowed to take up basic positions in the call centre after training in the requisite skills of a call centre agent. As the students develop their skills set, they will be allowed to take up more challenging positions in the centre. Once they have successfully mastered these skills, junior supervisory experience will be available to students who so desire. Students get real life, practical experience in a closely monitored and trained environment, ensuring a professional facility and passionate-quality service for clients. Students receive part of the revenue as reward for their experience, and the surplus generated from the call centre goes to the schools to finance the tuition of future students. This funding model supports growth of the institute and provides capital to replicate it across Africa and the world.

The future income of the students are dramatically increased as the starting salary of a BBA student is approximately €7,200 per annum in South Africa and €14,400 for an MBA graduate. Life time earnings are therefore expected to mount up to €650,000 per person. Currently Maharashi Institute is educating 200 students, meaning a total of €1.6 million earnings in starting salaries is earned, or €100 million in lifetime earnings altogether. The Institute aims at increasing their student base to 1,800 in the next two years.

Transcendental Meditation (TM) is an integral part within the educational programmes offered by CIDA City Campus and Maharashi Institute. TM is a simple, natural, effortless procedure practised for 20 minutes twice a day while sitting comfortably with the eyes closed. It is the most widely practised, most researched, and believed the most effective method to reduce stress and develop one's full potential. Transcend means 'to go beyond': beyond thought, to a silent reservoir of energy and creativity within. The meditation will help the students in clearer thinking, improved health and a greater sense of self-awareness.

As Dr Taddy Blecher says, 'The economics of greatness is that every person who is great can develop a generation of greatness.' We need to change mindsets by creating attitudes of self-belief. This is how we make an economic democracy.

For more information, visit http://maharishiinstitute.org

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III. ELA BRAC Uganda
Empowerment and Livelihoods for Adolescents

BRAC only entered Uganda in 2006. With partners like Mastercard its adult microfinance programme has been scaling fast. Encouragingly so too has its ELA programme for youth (mainly girls).

The Empowerment and Livelihood for Adolescents (ELA) programme started in Uganda in 2008. There are now hundreds clubs for vulnerable Ugandan teenage girls and young women. The programme provides a safe place for them to socialise and take part in group activities as well as a forum for life-skills training.

The programme uses the life-skills course themes offering 10 storybooks for use in the clubs as teaching tools. The stories are based on recent life accounts from the girls themselves which we asked them to share or life experiences of those in their society and write them down. Their writing was later used as interactive stories to discuss at clubs.

The girls are able to freely socialise and share each other's experiences, as well as find support for dealing with personal challenges. The clubs act as both social spaces, where girls can win positive recognition from their peers, and training venues for skills development courses. Each club organises daily team sports, such as netball, as well as dancing and other recreational pursuits.

Adolescent Leaders

The clubs and the training courses are run and managed by the adolescents themselves. Two girls from each club are selected and trained by BRAC supervisors to be adolescent leaders. They have to be at least 19 years old. These leaders are responsible for management of all the clubs' activities and conducting the training courses. Training for the leaders covers facilitation and life skills and is provided through:

- Six days basic training
- Six days training on conducting life-skills training
- One day refreshers (bi-monthly)
- One day orientation
- One day refresher for life-skills training

Life Skills Training Course

The life skills training course is offered to all the girls attending the clubs. The goal of the training is to equip adolescents with the necessary knowledge and skills to improve their lives and to prevent early marriage. The objectives of this course are:

- To coach adolescent girls to be conscious, conscientious and confident citizens
- To raise their awareness of relevant social issues such as gender imbalance, early marriage and drug addiction
- To enhance understanding of general health, hygiene, HIV/AIDS and reproductive health
- To develop leadership skills
- To develop negotiation and conflict resolution skills

Income Generation Skills Training

Older girls, who are out of school, are able to choose a training course in one income generation activity that is of interest to them. As many of the centres are in rural areas, the courses are mostly linked to agriculture. The following types of courses have proven to be beneficial and appropriate for girls entering into microfinance for the first time:

- Agriculture training on cultivating local crops

- Vegetable cultivation
- Poultry rearing
- Tailoring
- Hairdressing
- Trading services

The courses are designed in the context of the local economies and offer several options to each girl. In our experience, the adolescents are keen observers of market opportunities. They are given training on basic market analysis techniques and are encouraged to select a business that suits them. BRAC has found that a lack of financial literacy is a constraint to adolescent empowerment. So adolescents also receive training in financial literacy before getting a loan. The three-day course includes savings, budgeting, financial services, financial negotiation and earning money.

Appropriately Designed Microfinance

The key differences between ELA and BRAC's regular microfinance programme are the targeted age groups and the average loan size. The average loan size of ELA is much lower compared to a comparable loan cycle in the regular microfinance programme.

The unique features of the adolescent microfinance programme are:

- Credit officers who are female adolescents
- Smaller first loan sizes compared to adults

16 years is the minimum age for borrowers (in compliance with financial regulations).

When a girl applies for a loan, a BRAC loan officer visits her business and determines its worth and her ability to pay back a loan. Upon approval, the loan applicant will typically start with a loan between 50,000 Ush (US$20.83) to 100,000 Ush (US$41.67), depending on her business. The girls who take ELA loans continue to receive support from their fellow ELA members and BRAC mentors, and over time become eligible to borrow larger sums of money. ELA girls are starting food stall businesses selling local Ugandan specialities, others are delving into jewellery, hairdressing or make-up businesses, cooking locally desired fast foods.

Context: Microcredit Summit 2011 Workshops – 'Empowering the Children of Microentrepreneurs with Primary and Secondary Education, College Scholarships and Loans, and Financial Services for Their Businesses', and 'Microcredit and Job Creation'.

IV. Grameen Nursing College The Goal of Ending Nurseless Villages

When I first met Muhammad Yunus, he inspired me with three action-oriented directions: nothing is impossible, devil's in the contextual details, so often the greatest micro-entrepreneurial revolution involves a macro and micro partnering jigsaw that cannot come together until youth and you search out one missing macro piece.

Here's an illustration formed round the intricate partnerships of Grameen Nursing College and its exciting decade-long destination of ending nurseless villages. Dr M Yunus had travelled to Glasgow in 2008 because his close associate, economist, Dr Zasheem Ahmed had promised him some university partnerships. On arrival, Yunus bantered, even though it is extremely kind to be asked to give a lecture celebrating the two centuries since Adam Smith wrote the *Theory of Moral Sentiments,* I hope the Scots are going to come up with an action project not just a lot of theoretical economics .

Zasheem had been expecting that question. Glasgow Caledonian trains an awful lot of the nurses for the UK National Health Service (NHS). Why not ask the principal to loan you its chief nurse educationist and start up the most practical womens' healthcare education and training institution: Grameen Nursing College. You have thousands of secondary girl scholars in the Bangladeshi villages who would love to be trained up as nurses and serve the growing number of Grameen rural health centres, eye hospitals, etc.

Yunus jumped on the partnering opportunity arranging a quick visit to two of the foundations whose global mission is branded 'girl effect' – Nike Foundation and the Buffett family's Nova. So the Grameen College partnership got assembled and started up in under 12 months with the first cohort of 40 girls belonging to Grameen microcredit borrowers' families from remote Bangladeshi villages. The relationships in the villages, the partnerships with universities, and funding from the world's leading foundations make as near a perfect collaboration partnership jigsaw as can be.

Indeed, Grameen's goodwill multiplies through hundreds of thousand village hubs and its direct relationships with youth make it a fast performing partner for 'girl effect' foundations around the world – witness how Nike Foundation became one of the partners in starting up Grameen Nursing College.

Yet the partnering possibilities are destined to grow and grow from communities up. Yunus' number one social business technology partnership, Grameen Intel has a priority focus on what distant village monitoring can help nurses, mobiles and world experts link in together at life-critical moments in maternal and infant healthcare.

And yet none of this would have been possible without the deep roots in the village. As well as Grameen's secondary scholarship programme, BRAC's original two rural networks involved informal primary schools and para-retailers of medical knowledge who emerged out of the need to distribute the oral rehydration solution that costs cents to make but needs the mother to know what to do to stop diarrhoea from killing her infant. So yes, Bangladeshi rural children grow up more interested in healthcare education practices than many; even so the end nurseless village partnership looks like one that many world class microcredit networks have the grassroots trust multipliers and global partnering action credentials to multiply.

The Grameen Nursing College is the type of initiative that I see as win-win-win in every worthwhile way, though it will not resonate very much with those that worship the capitalist market economy!

As I see it the Grameen Nursing College initiative has win 1 because it improves human capital by training rural girls; win 2 because they can work to improve the health in a society; and win 3 is a huge reduction in the cost of doing good health in a village, facilitates early intervention, etc.

Context: Microcredit Summit 2011 Workshop – 'Why Integrating Microfinance, Health Education, and Other Forms of Health Protection is Good for Your Clients and Good for Your MFI, and How Can You Incorporate It?'

V. Will 21st Century Health Ever Be Economical?

From this perspective of progressing the productivity and sustainability of our next generation out of every community, bold entrepreneurial challenges emerge all over the world in which developed nations can gain a lot from going back to basic community-grounded lessons. The most valuable lessons of all for the next generation to openly celebrate appear to be those that have been bravely pioneered by village mothers' investments in their youth's advancement in developing countries. Two notable challenges demanding bold leadership revolve round two observations that must by now be transparent to majorities of peoples in every region of our planet:

- Banking and health have become two of the least economical sectors all over the twenty-first century world. Indeed, as soon as you hear *macroeconomic experts* talking of a banking subsystem being too big to fail, you know you are being lectured to by people who have accidentally or otherwise contributed to making banking uneconomical for the vast majority of people.
- If banking and health are ever to become economical again, then the knowledge that the deeply contextual and communal knowledge that can be linked in across the first 15 years of Microcredit Summit networkers will be absolutely critical.

One extra inspiration jumps out of my family's diaries of how millennium 3 started up. Soon after 9/11, I helped to found the London Chapter of a group then known as Global Reconciliation Network. GRN was actually born by an Australian Professor of Medicine, Paul Komesaroff, out of Monash University in Melbourne. After 9/11 Paul picked up the telephone and didn't stop ringing round until he had connected testifiers from over 70 countries on what historical and cultural reconciliations first needed to be made within their nation, and then across national borders. Many of their case studies have been published as Pathways to Reconciliation: Komesaroff, Fleming, Rothfield. These include testimonies shared with 500 Gandhians at the Indira Gandhi National Cultural Centre, Delhi in December 2004

Paul's lifetime experience has been in helping organise Australian youth who wanted to volunteer abroad to take their medical service capabilities to areas that were trying to recover from disaster. Within ten days of the Delhi conference, the Asian tsunami struck and Paul's youth networks were linking up with Gandhians-type community leaders on dozens of coastlines.

So, the question that my peer networkers in conflict resolution and I started searching in 2005 was: is there an organisation anywhere in the world that emerged from disaster relief, networks of volunteer community health servants and banking that invested in the next generation's productivity? Well, I am sure that many of you are at least 8 years ahead of me in identifying from the first microcredit summit in 1997 – one such benchmark organisation to be BRAC. After being born out of a disastrous cyclone and tsunami in November 1970 that washed away twice as many people as the 2004 tsunami; a few years later, the first rural-wide solution BRAC scaled in Bangladesh was saving infants with oral rehydration and in the process planting income-generating positions for informal health advisers in every community whose knowledge and services BRAC kept building at the core of community. Hence over the years BRAC was to work out how pivotal microfinance could be to investing in more and more vital occupations in the villages.

Obviously, when it comes to the question – will health ever be economical again? two of the most productive searches through the 2010s are likely to be

- bottom-up health summits which BRAC regularly convenes; and

- eHealth: thanks to Bangladesh being 15 years up the action learning curve of mobilising vital knowledge from the village networking perspective.

Therefore, youth around the world are recommended to trust BRAC to be an epicentre of systems that help make healthcare extremely affordable. An example can be seen from a set of proceedings recently published in Dhaka: ***From One to Many, Scaling up Health Care Programs in Low Income Countries***, edited by Richard A Cash (Senior Lecturer at the Harvard School of Public Health, Visiting Professor at the James P Grant School of Public Health at BRAC University; BRAC USA Board Member), A Mushtaque R Chowdhury (Associate Director at the Rockefeller Foundation, Professor at Columbia University in New York), George B Smith (Food Systems Expert), and Faruque Ahmed (Director of the BRAC Health Programme). An extract from the review of this book by ***The Lancet***:

> Scale-up is a central question to most health interventions and is the

focus of Richard Cash and colleagues' excellent *From One to Many*. The book, a consolidated output of a conference on the subject hosted by the development organisation BRAC in Bangladesh, identifies scale-up in horizontal terms – expanding coverage of existing interventions. BRAC and Bangladesh were a perfect setting for the discourse. With its motto of 'small is beautiful but big is necessary' and its operations spanning about 40,000 schools, 7 million microfinance borrowers, and responsibility for the roll out of national public health programmes, BRAC is the epitome of what the non-state sector can achieve in terms of outreach capability.

The book has done an impressive job of using case studies to draw attention to strategies and factors common to successfully scaled-up programmes. The importance of systems, institutions, and organisations with strong delivery capabilities has been reiterated throughout. A powerful policy take-home message from the book is that concomitance of community acceptability, stake of local and national governments, and buy-in of local politicians and private entities are all key ingredients for success in community interventions. The case studies are a reminder of the importance of effective engagement of stakeholders to maximise their comparative advantage and to locally tailor community interventions

VI. Ending Poverty
Classic Chicken Case

In Bangladesh, Grameen Bank's view of ending poverty with chickens is: let's help communities of the poorest work out how many chicken egg layers each group of 60 poorest village mothers need. That way our country won't suffer from accumulating any marketing waste; the village will support the optimal number of chicken layers, and there will be practically no costs of marketing, thanks to each direct exchange linked in at village centre groups of 60 purposeful maternal producers of services which children and families need most.

BRAC's view of ending poverty with chickens is the traditional scrawny village chicken is inefficient – can we develop a chicken that lays many times more eggs making a better wage for the village chicken keeper? After several years of asking this question it turned out that yes BRAC can, but 5 different jobs were needed (each of whose producers is microfinanced just-in-time) with the consequence that a whole supply chain is redesigned to be optimally sustainable in helping end poverty.

The other 4 jobs, beyond one person keeping a flock of chickens in the village are:

- Breeding the super chicken;
- Para-vets who are needed to regularly inoculate these chickens as they are more prone to disease than the traditional village chicken;
- Distributing the surplus eggs of the chickens beyond the village to the cities; and
- Now that we need ten times more chicken feed than ever before, sourcing this from land that couldn't produce human feeds.

What is nice from an economical point of view is that Grameen and BRAC offer complementary competitive ways of ending poverty with chickens. While I am not an expert, I believe you will find that over the years that grassroots entrepreneurial networks have grown, the similar dual competitive choice of freeing villagers productivities and needs has been extended in Bangladesh to nearly a dozen different agricultural markets, and some crafts and clothing markets.

I anticipate that some people's last question of this note will be: which is better – the Grameen way or the BRAC way? I personally recommend that we can help improve each other's race to jointly end poverty. Just as me-too competition isn't economic wherever people aim to end poverty, open collaboration is the innovative new economic model that the next generation's full employment needs. At least research for the biography of John Von Neumann demonstrated how he saw this as the way above zero-sum-game to help the first net generation productively innovate using the computers whose collaboration purpose Johnny brought to life. (See Biography, John Von Neumann, Norman Macrae)

It is true that those supply chains which BRAC re-engineers have an optimal chance to be the most efficient in the world of ending poverty. However Grameen mediates everyday communal trust instead of advancing separated parallel industries. Grameen's purpose includes deep resolution of cultural conflicts. It also creates organic networking space for identifying what is the next big thing – see how it went into mobiles in the villages before BRAC. Joyfully so because, the village centre structure of its 8 million membership community is now an extraordinary paradigm for 100,000 hubs to experiment with the optimal way villagers can end digital divides empowered by the new freedom to exchange life critical knowhow across villages. In any event, there is so much for the rest of the world to action learn on the hi-trust meaning of free markets from both Grameen and BRAC – as motherly villagers in Bangladesh cross-fertilise this nation's wonderful fortieth year in 2011.

VII. MicroAgriculture: Open Knowledge Transfer for Farming Families to End Poverty

Let me begin with a heroic story that is intended to share context across innovation-hungry hubs of the global village era we interconnect. Towards end of Millennium 2, I was living in London and those were the days (before the dotcom boom) where an exciting use of the internet was to aim to bring down degrees of separation on life critical knowhow flows.

My peer to peer networks and I hosted a process we called Collaboration Café. We'd hunt out *change world* people travelling through London with vital practical knowhow and say to them: we can't afford to pay you conference fees but while you're in town if you have half an hour for a coffee, we will search all our networks to try and find 10 people who most want to be an action disciple of yours. This was how I met Prem Kumar – the first person I had ever celebrated listening to because he had spent his life connecting together hundreds of Indian villages totalling over 100,000 people in the goal of ending hunger. How did he do it, we listened. . .

A. We tell every new village that they should only join us if they collaboratively agree *it's all for one and one for all* – we will celebrate their diversity but when it comes to knowledge sharing there must be no rivalries and no conflicts across creeds or gender.

B. We discovered that the infrastructure knowledge around which everything else is rurally built concerns water, waste and land rights. On water, we are lucky. As you may know around the world there are over 50 different types of water crisis each with different solutions, but our water needs are almost all concerned with one solution – water sheds. After 20 years we are seen as a nationwide benchmark for competence in engineering these, and we even make money consulting in this knowledge. But for our peoples there is no point preparing clean water to drink and water flows for irrigating agriculture if richer outsiders are going to dump waste in our areas. Over the years we have had to be very tightly networked around this principle taking on regional and even national government. This also helped us in the one area where urban stretch over two decades reached our village 20 times more than a city's compulsory purchase order started offering our peoples.

C. It's a reality in rural areas that in poor men need to travel for work while women reside, bring up the children and build the village as a community. So we organise the whole market of handmade wooden crafts that our women are beautifully skilled at. Intuitively Prem had built the same sort of thing that BRAC has done with chicken farming – or more relevantly BRAC's farming and fashions market – so that the motherly producers share the maximum added value. And schooling for children had been the main investment the mothers had made with their profits

What else we asked. Prem clarified that networking technology would soon become very interesting. Over 20 years his intelligence centre for all the villages had meticulously collected lots of information village by village at annual meetings that it had taken the centre's public servants much of their time to travel round. He wanted to turn this into a database every village could hub into once mobile telecoms arrived. Prem also mentioned that the villagers had got to the stage where they could invest in one world class agricultural produce, ie one that would be of export quality and where they would control the processing not just the growing. Prem was looking for a long-term partner. His quest seemed to be homing in on cashew nuts and for some reason his painstaking search for a partnerships of equals was taking him to some of the former countries of the USSR simply on the grounds of transparency of long-term partnering fit.

Lessons from this case of bottom-up farming village networks include:

- If anyone had come offering top-down aid to one of the villages, they would have been sent to Prem to see if the idea could possibly help the whole bottom-up network.
- If anyone had come saying you need to let competitive microfinance come in from commercial bank, Prem would have shown that his village networks already sustained 10 times more economical banking for their members needs.

So much it is for one man's testimony on networking knowledge across agricultural villages. What more do we know about Micro-Agriculture now that 15 years of microcredit summit have helped to link together knowledge so farming families can end poverty?

Start Up Search List of Micro-Agriculture of Microcredit Summit Networkers

1. Microcredit summit returns are headed by India's National Bank of Agriculture. In fact 40% of poorest members whose productivity we celebrate appear to be accounted for by this organisational network. So this reference is a suitable first link for searching its knowledge network. http://www.nabard.org/modelbankprojects/modelbankprojects.asp

2. Crop science as pioneered by alumni of Norman Borlaug offers one of the great innovation compasses for ending poverty when its break-throughs are distributed in ways that rural microentrepreneurs can freely practise.
http://www.normanborlaug.org/; http://www.borlaugdoc.com/

The Nippon Institute has invested a lot in this progress and it has become a popular knowledge transfer area of JICA and more recently USAID.
http://www.nippon-foundation.or.jp/eng/speeches/20100713BorlaugSymposium.html

BRAC is probably the microcredit to have made most formal use of this expert knowledge, though this is also a major tacit knowledge flow in other major microcredits including Grameen Bank. Moreover, three of the 4 first products from the Grameen Intel global social business venture involve agriculture.
http://www.grameen-intel.com/product.html

3. Responsibility of world leading milk companies. Perhaps there is something about milk as the ultimate fresh product that encourages national manufacturers of milk products to stay closer to small suppliers than other sectors. In any event, interviews with several CEOs show that some see their corporate responsibility role as microfinancing of small dairy producers in developing countries they operate in. Milk Social businesses are a leading sector in the Danone Communities Social Business Fund. Alongside, there are major farmers' knowledge focii of the Grameen Credit Agricole Fund.

4. Responsibility of some mobile and hi-tech companies – ubiquitous mobile phones can level the playing field on information about market prices for those were previously disconnected from such intelligence. More proactively, ebay-type exchanges can be constructed so that 'farmers markets' leverage both real and virtual channels.

5. Responsibility of one world leading foods supermarkets – with www.wholeplanetfoundation.org Wholefoods has set a world leading example. It now hosts up to over 40 micro-regional microcredits adding about ten a year. These are located in places where it already sources produces for America's leading foods supermarket. Wholefoods enjoys seeing development partnerships happen wherever the company does business. It is also the only major US brand to fully integrate microcredit into its marketing with an annual promotion of microcredit literature and funding in all its stores

6. Responsibility of University Media Labs – these are the most inter-disciplinary spaces in universities today and the mixture of digital media and agriculture needs celebrating if we are to end hunger. The recent appointment of Joichi Ito (whom Wikipedia calls *Japanese activist entrepreneur*) to head the MIT media lab could be timely.

7. Programmes where fast developing countries have already made unique agricultural advances and are currently integrating world class microcredit knowledge: Brazil and China.

Context: Microcredit Summit 2011 Workshop – 'Microcredit and Crop Agriculture: New Technologies and Other Innovations to Address Food Insecurity Among the Poor'.

VIII. Close Encounters of the Solar Kind

In support of the motion that Microcredit Summit's first 15 years has connected more exciting entrepreneurial revolutionaries than any other millennial series, here are two stories from the solar energy world that illustrate how people's grassroots community action networks can help change what some of the world's most powerful rulers cannot.

Solar Story 1

It is rumoured that the first time Prince Charles met a director from

Grameen Shakti (Grameen solar) www.gshakti.org , he said, you're a bank in Asia and you are installing more solar units than the whole of the USA?

The GS Director: Not a bank sir, The Bank of the Poor: Grameen Bangladesh.

Prince Charles laughed: Oh! Yes I see.

Contextually Prince Charles had previously written a foreword for Dr Yunus' book *Banker To The Poor* in which he wrote:

> I first met Muhammad Yunus in February 1997 on a short trip to Dhaka. I found a remarkable man. He not only spoke the greatest good sense but had against huge odds and in the face of dreadful cynicism on the part of so-called experts followed his ideas through and made them work. I also found an inspiring, entertaining and confident interlocutor who sent me away with a new and invigorating sense of what can be achieved with energy and determination. I have since done all I can to encourage a wider consideration and appreciation of his micro-credit.

Actually, Prince Charles has done a lot more than that. He has helped one of the UK's leading philanthropic families set up microenergy's annual laureates www.ashdenawards.org. He applauds as loud as anyone in the UK that the British Broadcasting Corporation's leading nature correspondents are now free to celebrate solar energy as a solution to climate crisis. And he is even converting his palace to be solar as one of London's greatest tourist sites, alongside next year's Olympic Games.

However, stories of how many marathons micro-energy entrepreneurs have had to run across hemispheres are even more dramatic. As the Yunus Centre web testifies, the person who first shared his knowledge with Dr Yunus on what solar can do is Neville Williams.

Solar Story 2

Neville had first been hired by President Carter to convert the USA to solar. Anyone interested in his productive connections may want to know of Mr William's book updated in 2005, *Chasing the Sun – Solar Adventures Around The World*.

Sir Arthur C Clarke, inventor of the communications satellite, says of Neville's book: 'This is a fascinating account of the author's personal odyssey to promote solar energy in the developing world. Reading this book I was reminded of what my great friend the late Buckminster Fuller once said, "There is no shortage of energy on this planet, but there is a shortage of intelligence!" Neville Williams shows how intelligent, local solutions can be found to most energy needs of communities across Africa and Asia. This should be an eye-opener for donors and policymakers alike.'

Readers may by now be wondering whether there are gamechanger parallels between the micro-networking of mobile telecoms and solar energy. Both are utilities that need collaboration entrepreneurs to link in so that bottom-up infrastructures change the economics of everything – including what old economics cannot model. This appears to have been recognised by the US Congress in September 2010 when a two thirds majority voted to hear a testimony from Muhammad Yunus as the 'economics genius' of our times. While some congressmen were wishing to celebrate interacting with a person who can inspire us to action the reality that credit is the lifeblood of every economy, another congressmen (Spencer Bachus Alabama) stood up and said:

> 'One Grameen project (currently doubling its impact annually) has funded installation of nearly half a million small solar electrical plants producing power for off the grid people in Bangladesh. I remember reading the book by Robert Caro about Lyndon Johnson and what electricity meant to the hill country of Texas – the miracle that we saw in America a century ago is being repeated in these countries now: the miracle of electricity.'

One way to connect all the positive flows referred to above is being pioneered by http://microenergycredits.com/ out of Seattle. This programme gives trusted microcredit partners in mobile empowered regions a gadget so that local bank managers can instantly audit each home that have changed over to zero carbon. By aggregating this data, communities in the developing world can now claim their dues in carbon offset markets, whose systems are not otherwise geared to register contributions to thriving carbon-negative economies made by individual households. Some may recall this was a 'yes you can' dream that Obama promised his electors to stimulate. Was it a mission impossible? Scientifically, No! Politically, the jury is still out but if we are to get the net generation back to work, then this entrepreneurial revolution is both urgent and overdue. Please help viralise these and any other solar good news stories that you can.

VIII. Grameen Mobile: Micro-Franchises Improved the Lives of Ultra Poor

Micro-franchising is the systematisation and replication of microenterprises. They provide Community members with successful turn-key businesses that they can own and operate without struggling with the creative burden of a start-up. There is a difference between being a business owner and an entrepreneur. Often these terms are used synonymously, but they are different. Micro-franchising removes the entrepreneurial need and allows people to be owner/operators of businesses with on-going support and training necessary for success.

The Grameen Village Telephone Lady was one of the first franchises that Bangladeshi microcredit invented to create hundreds of thousands of jobs – at the time (1996) the highest paid job ultra-poor women villagers had ever co-created.

How's that? Grameen Mobile linked in to various dynamics that were unique to the Grameen Microcredit model including the structure of the bank networked around 100,000 village hubs (centres) which are not just places where savings and loans are practiced weekly by groups of 60 microentrepreneurs, but hubs for knowledge sharing relevant to the community markets owned by the poorest women. Their movements who believe that raising the economic productivity of women is one of the keys to the net generation's accomplishment of heroic goals see village-based/owned telecentres as one of the remarkable consequences of Grameen pioneering mobile telecom social business connectivity across its village centres from 1996.[3]

Prior to 1996, the main cross-fertilisation of knowledge between these hubs was from the local branch of Grameen staff who visited each of a cluster of 60 neighbouring centres. After 1996, the telephone ladies hooked up a 100,000 hub network. Their shared telephones acted like telegram offices must have done in the West a century earlier. The focus of telecommunications was life-critical knowledge and market-critical pricing. And the poorest village mothers were at the epicentre of empowering this entrepreneurial revolution.

[3] This micro-entrepreneurial women's liberation movement is celebrated by The Green Children Pop Group in their best selling song 'You Can Hear Me Now'.

From the getgo, the membership interacted round Grameen mobile to explore the smartest productive uses a hi-tech world of youth will connect. This was the opposite mindset of big western corporate’s use of technology to replace jobs. Grameen Mobile is where innovative partners link to empower interpersonal productivity and bring down degrees of separation on life-critical information flows.

Today wherever low cost mobile telephony is ubiquitous, the fusion of microcredit and micromobile is one of the most exciting dynamics the net generation can celebrate. For example, Bangladesh is in a friendly collaboration race with Jack Ma (ali baba, ‘China’s ebay’) to see which country’s world trade leadership of global village knowledge economies will generate 100 million jobs first.

At the start of the 1980s, westerners had identified the basic value multiplier of the service economy as the franchise (see ‘we’re all intrapreneurial now’ in *The Economist* 1982). What’s curious – and extremely frustrating to pro-youth economists – is most clearly expressed by the Indian founder of the extraordinary social business franchise Aravind and his expert medical friend (former CEO of google.org) Larry Brilliant. Why has the world become dominated in the last 30 years by so many franchises owned top-down, ie so the top takes a cut every quarter from every franchise’s location. Why are there so few open-source knowhow franchises replicated for ownership by the communities and peoples who do the work 24/7? Sometimes it seems as if www.microcreditsummit.org is the only network whose goals has spent the last 15 years in sustainability’s search of community value-multiplying franchises.

So the future may look back at Grameen Mobile as being the starting point of the most exciting worldwide journey if you want to collaboratively explore two extraordinary value-multiplying experiments – mobilising knowledge across grassroots network hubs and open franchise replication – particularly those solutions integrating a life-changing piece of technology empowering by the communities’ poorest. This can not only change the world, but change every interfacing system dynamic that economists have ever mapped. See www.bankabillion.org as one extraordinary millennium goal race.

Context: Microcredit Summit 2011Workshop: ‘How Have Micro-Franchises Improved Income Opportunities and the Lives of Community Members, and How Can MFIs Make Them Available to Their Clients?’ □

IX. The World's Greatest Maths Error

Why would parents destroy the future productivity of their children by billing them for national loans, banking bailouts, laws designed to make things like health and land ever more costly, extraction of natural and human resources, celebrating on nightly news big organisations that are compounding conflicts and unseen risks?

Quite simply the answer is that there is a ruling species of macroeconomist and metric professions that are committing the world's greatest maths error. Their economics isn't economical by any commonsense valuation of the word, and however big the systems they hide their failures in, the core problem is they compute trust wrongly, every quarter causing it to exponentially compound distrust, and multiply risks.

In older days, when the telex was the fastest way to communicate measurements around the world, something accountants called goodwill was only a minor item in a market's valuation of companies. Today it is the vast majority. The error's core spins round the fact that accountants didn't have any way of valuing goodwill when I first worked at one of the big five global consultants in the 1980s, and then defined goodwill wrongly. Monopolising this error was aided and abetted by professors who believed that defensive strategy is smart whereas it's the least innovative (and most value destructing) ideology ever to have been examined on.

Goodwill is correctly defined when governance of a company transparently builds multi-win models of trust-flow between all whose futures are impacted by the company. Instead today's global accountants compute scores that actually go up the more of a multi-lose model is built until trust in the whole thing (whether it's a bank or anything else) bursts. Hundreds of multibillion dollars burst almost overnight and it's always our children that pick up the tab. And yet the problem is far worse than individual corporate failures as we can see when a virus from Manhattan's Wall Street simultaneously destroys trust in banking systems in over 50 countries around the world.

The good news is: change the world's greatest maths error and we parents may be just-in-time to get back to helping youth to create jobs and renew communal sustainability now that we have millions times more powerful technology to communicate. Moreover, when the microcredit summit started in 1997, it offered the opportunity to study systems representing mothers' investments in children that were completely free of the rich man's measurement disease, and which had lovingly proof-tested how to race to end poverty, community to community, by freeing all of life's most critical markets – banking, health, education, farming, clean water and energy. The opportunity of such a global village networking economy was opened up as technology was being introduced to the villages. It was once in a millennium chance to select youth's most exciting goals and mobilise solutions across all communities where parents truly wanted to invest in their next generation's productivity and sustainability. □

References include:

1943 Centenary Biography of The Economist

1972 The Next Forty Years – The Economist

1976 Entrepreneurial Revolution – The Economist

1984 The 2024 Report Norman Macrae– Will the net generation be lost or the most productive ever!

1988 The Year of The Brand- The Economist

2000 Unseen Wealth – Brookings

The Theory and Practice of Microcredit

A New Book Publication in November 2011

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Microcredit has emerged as a hugely popular tool all over the developing world for helping poor people to help themselves by engaging in self-employed income-earning activities. By developing innovative ways of providing the poor with access to credit, the 'microcredit revolution', as it has come to be called, has seriously challenged many traditional assumptions about both poverty reduction strategies and financial markets. While this has encouraged new theorising about how microcredit works, the evolution of the practice of microcredit has outpaced the development of theory.

This publication aims to remedy this imbalance, arguing that a proper understanding of the evolution of practice is essential both for developing theories that are relevant for the real world and for adopting policies that can better realise the full potential of microcredit. Using a rich blend of theoretical and empirical analysis, this book sets out to provide a well-balanced review and synthesis of the existing literature on microcredit/microfinance. It also seeks to advance the frontiers of knowledge about microcredit by tracing recent evolution in the practice of microcredit - with special focus on Bangladesh - and by making the case that a proper understanding of this evolution in practice is essential for both relevant theorising and effective policymaking.

[Source: Prof Wahiduddin Mahmud, Description of the Routledge Publication; Routledge Studies in Development Economics]

Ultra Poor Graduation Pilots:

Spanning the Gap Between Charity and Microfinance[1] A Deeper Look at Programmes That Work with the Ultra-Poor

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Introduction

THE ULTRA POOR Graduation Programme is a global effort to uplift households living in extreme poverty. The original programme in Bangladesh has reached over a million households and has been adapted and implemented in eight other countries. This model was established when BRAC, a Bangladeshi development organisation, noticed that households at the very bottom of the economic ladder were not benefiting from the services offered by its microfinance programme. Microfinance providers gained substantial recognition in the 1990s and 2000s for providing financial services to the poor, but largely failed to reach households in extreme poverty. While this gap was widely acknowledged the response varied considerably, largely breaking into two camps along the lines of the 'financial systems approach' vs 'poverty lending' approach outlined by Robinson (2001):

1. Financial systems proponents focus on the appropriateness of microfinance for the very poor, arguing the very poor need a more intensive suite of services. They note that while microfinance

[1] This paper was written for the 2011 Global Microcredit Summit in Valladolid, Spain from 14-17 November 2011, and is reprinted with the permission of the Microcredit Summit Campaign. The authors are respectivey Senior Policy Director and Policy Associate of Innovations for Poverty Action, USA.

may not reach the very poor, there are millions of unbanked households who deserve access to financial services.

2. Poverty lending proponents focus on targeting: if we can make it easier to identify the very poor we can encourage them to participate in microfinance programmes.

Poverty lending advocates have promoted a number of low-cost tools to identify the 'ultra poor', such as scorecards based on housing or assets, or participatory appraisals'(Simanowitz, Nkuna and Kasim 2000). Yet empirically many very poor households are unwilling to participate in microfinance programmes (Karlan, Morduch and Mullainathan 2010). This appears especially true for borrowing to launch enterprises.

The Ultra Poor Graduation Model works in the common ground between these opposing viewpoints, recognising that building livelihoods has the potential to help ultra-poor households escape extreme poverty, but food-insecure households need more than just financial services to diversify incomes and increase assets.

History of Ultra Poor Graduation Pilots

The World Food Programme (WFP) and BRAC joined together with the Bangladeshi government in 1985 to target rural women and provide services to uplift them from extreme poverty. The Income Generation for Vulnerable Groups Development (IGVGD) programme, expanding off of the existing state welfare system that supplied free grain, united women to accumulate savings and receive productive skills training such as livestock raising and vegetable garden development. By targeting single women with few assets and no access to other aid programmes, and providing ongoing support for eighteen months, IGVGD aimed to create a more long-term solution for destitute families. After several months of consumption support and training, beneficiaries received small loans to be repaid with accumulated savings and income from new enterprises. The goal of the intervention was to prepare women to take larger loans from a microfinance institution at the end of the programme. An assessment of the programme found that two-thirds of beneficiaries had joined microfinance programmes. However, many beneficiaries had difficulty leveraging programme trainings to improve well-being (Hossain and Zahra).

BRAC recognised the need for more extensive support and the opportunity to augment both social integration and healthcare components. Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor (CFPR/TUP) was launched in 2002 as an adjustment of the initial IGVGD intervention, with more intensive mentoring and social and health support.

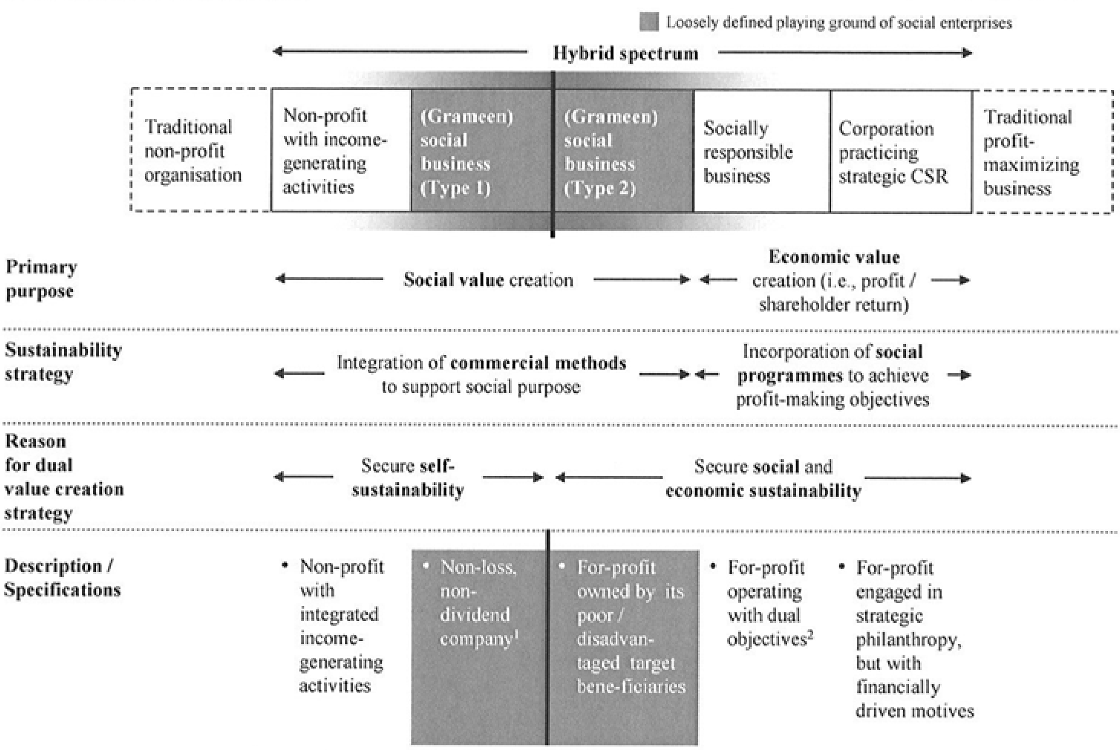
Recognising the potential of this model, the Consultative Group to Assist the Poor (CGAP) and the Ford Foundation joined together in 2006 to replicate the intervention in other countries, with a series of quantitative and qualitative evaluations to measure the impact of the model. Today, the Graduation Project, named for its mission to 'graduate' the ultra poor from extreme poverty, has expanded to ten pilots in eight countries: India (Bandhan, Swayam Krishi Sangam (SKS), Trickle-Up), Pakistan, Haiti, Honduras, Peru, Ethiopia, Yemen, and Ghana. The pilots are generally implemented by NGOs and microfinance institutions, with technical assistance from CGAP and the BRAC Development Institute (BDI). Randomised evaluations are being conducted in eight of the ten sites: by Innovations for Poverty Action (IPA) in Pakistan, Honduras, Peru, Ghana, Yemen, and Ethiopia; by IPA, the Abdul Latif Jameel Poverty Action Lab (J-PAL), and the Centre for Microfinance (CMF) with Bandhan, India; and by the Financial Access Initiative and New York University with SKS India. The programmes are in various stages of evaluation: the pilots in India have completed their interventions and follow-up surveys a year after programme completion, while pilots in Peru and Ghana are just launching, with final results expected in 2014.

Graduation Model Implementation

Ultra poor households face an inter-related set of challenges, each of which colludes to keep families in extreme poverty. These families are food insecure, do not have access to financial services, have few assets, savings, and inadequate access to healthcare, and often cannot afford education for children or need children to work. Without many opportunities or tools with which to change their situation, these households are vulnerable to shocks, such as bad harvests, and often dependent on charitable or government services for basic food support during lean seasons.

The Graduation Model is designed to give the ultra poor the 'breathing space' they need from all these immediate challenges so they can focus on improving their welfare over the long term. The programme includes a carefully sequenced set of services, including consumption support, productive asset transfer, livelihood training, savings services, and healthcare. Each component is tailored to fit the country context while maintaining the model's core components. Throughout the entire implementation period field staff visit participating households each week to monitor their progress and offer ongoing training and support.

Figure 1: Social Business Taxonomy



1 Based on a commercially viable business model
2 Making profits for shareholders and contributing to a broader social good

Source: Own draft based on Alter 2007

The first step of the programme is client selection. At each programme site, ultra poor households are identified using a Participatory Wealth Ranking (PWR) during which villagers create an economic ranking of all community households.

The poorest households on this list are visited by field officers to verify their poverty status. Scorecards such the Progress out of Poverty Index and USAID's Poverty Assessment Tool are helpful for conducting verification checks.

Eligibility criteria vary per country. The three pilots in India as well as the pilot in Haiti only target female beneficiaries. However, the other pilots do not target by gender and work with the head of household. Beneficiaries in the Honduras programme must comply with the following primary criteria: live in the community for a minimum of three years, earn less than 600 Lempiras (about US$32) per capita per month, have at least one household member under the age of 18, not receive regular support from another programme, and not have a loan.

Once participants have been selected, consumption support – either a cash stipend or in-kind package – is distributed on a weekly or monthly basis to stabilise household consumption. In some countries like Pakistan, implementers give beneficiaries consumption support out of programme funds. In other countries like Ethiopia, the programme builds off an existing state system (the Productive Safety Net Programme) which provides a monthly in-kind package of food and supplies like oil. In Yemen, the pilot is a partnership between the government's microfinance support agency and its conditional cash transfer programme. As in Ethiopia no 'new' consumption support is required, since households poor enough for the graduation pilot are all eligible for the cash transfer programme. While the content and delivery of each pilot's stipend varies, the purpose of smoothing consumption remains consistent. SKS does not provide consumption support, noting their households have survived by working as day labourers when necessary, but provides a small stipend for working capital to purchase animal feed.

As households have a more secure supply of food, the focus shifts to the asset transfer and livelihood trainings. Implementers hire livelihood experts to conduct a market analysis in the pilot region, identifying entrepreneurial activities along with their potential risks and returns. Livelihood consultants also consider beneficiaries' existing income sources in an effort to diversify household revenue.

After this research, implementers choose livelihood options along with related assets to offer to programme beneficiaries who ultimately decide which activity to pursue. The livelihood trainings assure that assets are used to earn a sustainable income. Across project sites, livelihood activities range from raising livestock such as chickens and goats to beekeeping to engaging in petty trade. Trainings include caring for livestock, reselling animals after fattening, and maintaining sales records, depending on the livelihood chosen. Most project sites supply beneficiaries with one livelihood, though, the project in Honduras encourages income diversification through small-scale farming on household land (coffee and plantains) in addition to raising chickens or fish; and multiple pilots encourage small vegetable gardens for private consumption.

In promoting sustainable livelihoods, the Graduation Model fosters a savings culture for its beneficiaries. Implementers in Pakistan encourage participants to use village Rotating Savings and Credit Associations (ROSCAs) that pool members' money to be distributed to one member in each savings period. In Honduras, as in India (Bandhan and SKS), Ethiopia, and Peru pilots, beneficiaries are required to open an individual savings account at a local microfinance institution. Beneficiaries in Yemen have access to a savings account at local post offices. For many pilots, the withdrawal of savings is only allowed for emergency situations until clients graduate.

Good health is essential to enable participants to focus on their new livelihoods, and to keep children in school. Partners in Yemen will provide health education covering topics like hygiene and sanitation. The Pakistan pilot has hired community health workers to serve beneficiaries. Additional services like veterinarian consultation for participants raising livestock and sessions on confidence building and social integration vary by site.

CGAP works with each implementing partner and beneficiaries to determine graduation criteria for the end of the programme. For the SKS pilot in India, a beneficiary graduates if she meets the following goals: children are in school, she can pay for a month's worth of food, she has two income-generating activities, and savings of at least US$20. Beneficiaries strive to achieve these benchmarks by the end of the 24-month programme and are monitored throughout the programme period.

Randomised Evaluation

To evaluate the impact of the Graduation implementation, teams of researchers are conducting randomised evaluations of eight pilots. IPA is conducting research for seven pilots: Bandhan (India), Pakistan, Honduras, Peru, Ethiopia, Yemen, and Ghana. J-PAL and CMF are also involved in the Bandhan implemented pilot in India. FAI is evaluating the programme implemented by SKS in India. BRAC Development Institute (BDI) is conducting qualitative research for five of these randomised evaluations.

Randomised controlled trials, often used in medicine to test the effects of drugs, isolate the effects of the Graduation Model so that impacts can be confidently attributed to the programme itself, and not other factors. Without a rigorous evaluation it is impossible to tell to what extent changes in people's lives are attributable to the programme. Participants tend to be systematically different than non-participants even before they benefit from the programme. This is especially true for a targeted programme like the Graduation Programme which selects only the poorest households. Moreover, participants may be affected by various interventions in their region, or shocks such as favourable or unfavourable harvests. Thus, even if one were to witness participants' welfare improving, the change might not in fact be due to the programme in question but rather to unmeasured external factors. Conversely, if welfare appears to be declining it might be the case that welfare may have been even worse in the absence of the programme. Randomised controlled trials solve these problems by using random assignment to compare participants and non-participants who, on average, are alike – except for the impact of the programme.

The first step of the evaluation process is to administer a baseline survey to all eligible households in the sample, identified by the PWR process. This survey collects data on consumption, assets, physical and mental health, community participation, and entrepreneurship. After this information is collected, households are randomly assigned to a treatment or comparison group. The comparison group serves as a counterfactual, revealing outcomes for those who do not participate in the Graduation Programme. After the duration of the study, the programme may be extended to households in the comparison group.

Programme implementation begins after random assignment of households. At most project sites, short surveys are administered to treatment and comparison households to track levels of consumption every few months. After households complete the programme (about two years after the baseline survey), enumerators administer an endline survey collecting the same data as the baseline. In most cases, a second follow-up survey is administered the subsequent year to assess long-term impacts a year after programme completion. Data gathered during these surveys reveal the changes in household outcomes.

Qualitative data, collected throughout the programme, complements the quantitative research. Local researchers conduct structured interviews with both treatment and comparison households to gather information about family dynamics, consumption, education, and health. Interview themes include: gender and decision-making, stories of surviving crisis, community politics, local rituals and cultural heritage, and future aspirations. The information gathered through qualitative research is valuable in understanding the mechanisms of change identified in quantitative data. Some interview modules are repeated during the study to track changes in beneficiaries' lives.

A few of the pilots are designed to answer additional research questions beyond determining the impact of the Graduation Model. In Peru and Honduras, the evaluation is designed to measure spill-over effects from programme participants to other members of treatment villages who do not receive the intervention. For these two studies, villages are randomly assigned to treatment or control status. Households in treatment villages are then randomly assigned either to receive the intervention or to serve as a comparison. By observing any differences between *control* households in treatment and control villages, the indirect effects of the programme can be assessed. For example, if control households are better off in treatment villages than those in control villages, there will be evidence of resource sharing or spillovers from increased economic activity. If control households are worse off in treatment villages, the project households may be creating increased competition.

The pilot in Ghana is designed to evaluate particular components of the Graduation Model to determine which programme elements create the greatest impact and which may be less essential. With the knowledge of specific component impacts, future implementers may tailor the model to increase benefits by reaching more households while minimising costs. Beneficiaries will be randomly assigned to receive the following elements of the programme: asset transfer, livelihood training, and a savings plan. The project will also go beyond the Graduation Model, comparing it to alternative avenues to help the ultra poor. In this case we will assess the impact of a handicraft employment component which provides beneficiaries with raw materials, vocational training in bead-making, and payment on production. This analysis will be helpful in understanding how charitable programmes affect households' economic activity; and provide a basis for cost-benefit comparison with alternative approaches.

Preliminary Results

At this point, the first two randomised evaluations have preliminary results from the first follow-up survey. (The pilot implemented by Bandhan in

India completed its second follow-up in December 2010 and the data has yet to be analysed). After 18 months in the programme, treatment households have 15% greater consumption of food than control households. Treatment households increased time spent working by one hour a day tending for livestock, were more likely to report primary income from non-agricultural activities, reported lower food insecurity, received less food support from other households, saved more in their bank accounts, had greater health knowledge and improved perception of health over the past year, and had decreased symptoms of mental distress than those in control households. Female beneficiaries reported higher levels of financial autonomy than those not receiving the intervention. No statistically significant differences were found between treatment and comparison groups in credit access or health outcomes (see Banerjee et al 2010).

The second follow-up of the pilot implemented by SKS in India was also completed in late 2010. Data from the first endline, conducted 18 months after the launch of the programme, reveal the following short-run impacts. Beneficiaries experienced a statistically significant shift in income source from agriculture to livestock (considered a more stable form of income), and were less likely to use government safety nets supplying pensions, housing, and assets. Programme participants decreased their outstanding loan balances by about 84%, and were more likely to report saving money. Beneficiaries reported missing two fewer work days in the last month and were less likely to have gone to a hospital in the past year than the comparison group. There were no statistically significant differences between treatment and control groups in household consumption, household income, savings balances, or children's school attendance (Bauchet, Morduch and Ravi 2010).

It is important to note that these preliminary results only reveal short-run results. Data analysis from the second follow-up surveys will provide more long-term impacts of the Graduation Model, three years after the baseline surveys and the start of the programme.

Conclusions

The Graduation Model has the potential to pick up where microfinance has left off in helping households who are most in need. Providing beneficiaries with productive assets and a comprehensive set of services including trainings in entrepreneurship, savings, and healthcare, the programme takes a holistic approach to addressing extreme poverty. With these tools for maintaining a sustainable livelihood, ultra poor households may become independent from long-term safety net services and graduate from extreme poverty.

Rigorous evaluations in multiple country settings will aid both implementers and policymakers in understanding the precise impacts of the model. If results prove that this programme is effective in achieving its goals of uplifting families from extreme poverty, as some preliminary evidence suggests, current project partners plan to scale up the programme, and other governments may follow. Evaluation may also provide feedback on which programme components are most effective in helping the ultra poor. This insight, along with implementer experience in eight countries and a cost-benefit analysis will be valuable in tailoring the model for future implementation. □

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Twin Labs

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Abstract: The idea of twin cities is well known. But here Kirsten Spainhower gives us a tantalising glimpse into why Silicon Valley Labs may need to partner Bangladeshi labs if the net generation is to achieve millennium goals.
While www.brac.net is well known in the developing world how many people know about the depth of action learning it co-creates at www.bracresearch.org and www.bracuniversity.net.

IN THE UNITED STATES, Silicon Valley has become synonymous with innovation. We are currently riding a wave of creative responses to some of the world's most intractable problems, led by many different actors from a variety of backgrounds. New innovations are being developed at exponential rates, but experimentation to produce technological advances still needs practical application and field-testing to assess whether something new is even useful. Halfway around the world, a leading Bangladeshi service provider known as BRAC has been doing exactly this since 1975.

The characteristic shared by social entrepreneurship initiatives that both achieve a large scale and are transformative at a societal level is an emphasis on experiential learning by individuals and the organisation (Alvord et al 2003).

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[1] The article was published in 'Development Outreach', World Bank Institute, July, 2010. The author is an Operations Officer at the World Bank. She has a Bachelor of Science from the Evergreen State College and a Master's of Forestry from Yale. Kirsten has spent most of her career focused on rural development challenges.

An example of a technical solution is the distribution of water pumps in rural settings. Development organisations have funded thousands of water pump models over the years to bring clean water to rural populations. Yet insufficient knowledge of socio-economic situations or cultural settings resulted in the failure of getting pumps to communities in need. Indeed, despite the availability of a technology, years of research have found that the presence of a technology doesn't'necessarily guarantee that the population it is meant to serve will have access to it.

Rooted in the philosophies of Amartya Sen and Paolo Friere, BRAC – one of the world's largest NGOs – believes that the lack of universal access to such basic things as water constitute a failure in the market that limits the poor from accessing basic services and earning a living wage. In response, BRAC creates multiple entrepreneurial opportunities along the entire value chain to address underlying inequities inherent in the market economy.

Sir Fazle Abed, a former corporate executive with Shell, established BRAC in 1972. Though it started out in response to Bangladesh's Liberation War and the resettling of refugees returning from India, its mission evolved into that of empowering people and communities by alleviating situations of poverty, illiteracy, disease and social injustice. Its innovative approach grounded in social entrepreneurialism succeeds in addressing some underlying causes of poverty in a manner unlike many other development organisations.

By applying a holistic framework to the alleviation of poverty, systemic issues surrounding class and caste are more easily dismantled. BRAC takes a societal-level approach, developing interventions intended to achieve scale and affect positive changes by enabling individuals to realise their potential. BRAC focused its work on women and children, who are traditionally the most vulnerable, recognising that women, as the primary caregivers, would ensure both the education of their children and the inter-generational sustainability of their families and households (BRAC 2010).

Because of this orientation, the empowerment of women and the education and health of children is at the core of BRAC's mission. In addition to the provision of micro-credit, BRAC owns an array of pro-poor commercial enterprises strategically linked to its development programmes. Recognising the numerous barriers that restrict the poor from participating fully in the market, BRAC does not rely only on loans. Instead, it developed interventions along the whole supply chain – both upstream and downstream – that maximise benefits to the poor. For example, in the agricultural sector, BRAC works with low-income women in poultry, livestock, fisheries, crop farming and social forestry. Within each of these sub-sectors, BRAC has designed an integrated set of services, including training in improved production techniques, provision of improved breeds and technologies, supply of technical assistance and inputs, organising participatory farmer experiments with new technologies, and marketing of finished goods (BRAC 2010). These interventions are located along the entire value chain at critical points where the poor typically have trouble accessing services or achieving competitiveness. BRAC realised that the effective design and implementation of its programmes would require evidence-based research.

From the beginning, it took a very unpopular approach considering that many organisations which generate public goods start out as donor dependent. Specifically, rather than submitting a glowing report highlighting initial successes to its donors, BRAC told of sobering lessons learned from disappointing results. It recognised that success would only be realised by creating strategies based upon the realities on the ground. Three years after BRAC was founded, it set up its own independent Research and Evaluation Unit, well before such a thing became the standard. This group provides the analytical research needed to improve existing programmes and offers direction on new avenues of development based on field experiences.

BRAC's organisational structure forces it to take a critical look at failures in a systematic way. Feedback mechanisms inform programmes by leveraging the knowledge of its staff and beneficiaries to make continual improvements. David Korten, author of 'When Corporations Rule the World', referred to BRAC 'as near to a pure example of a learning organisation as one is likely to find'. By design BRAC is structured as a learning organisation that seeks to transform the society in which it operates. As a counterpoint to the innovations occurring in the sterile labs of Palo Alto, California, BRAC's research unit serves as its own innovative model. Here BRAC finds solutions to development challenges within a real world laboratory of ideas. □

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Breaking the Rules of Microfinance to Better End Poverty and Catalyze Its Transformational Dimension:

Conversations with Industry Pioneers to Explore the Soul of Microfinance[1]

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I. Introduction

THE PURPOSE of this paper is to identify the essential elements, or rather the soul, of the microfinance movement over the years as embodied in three organisations located in Africa, Asia and Latin America. I have selected BRAC in Bangladesh, Jamii Bora in Kenya, and Pro Mujer in Latin America because of their breadth, depth and focus on women. These are key characteristics of microfinance when it is used as a means to alleviate poverty by empowering the most powerless and vulnerable human beings. Marginalized populations typically lack knowledge of their human rights and are often denied access to basic health, educational and financial services that are requirements to develop their potential and live lives with dignity. Microfinance offers these populations the financial access, expertise and support they need to thrive.

[1] This paper was written for the 2011 Global Microcredit Summit in Valladolid, Spain from 14-17 November 2011, and is reprinted with the permission of the Microcredit Summit Campaign www.microcreditsummit.org.The author is Co-Founder and Director of Pro Mujer, USA.

I selected BRAC for the wide range of financial, health, educational, social development services and social enterprises it offers, and for its global reach. BRAC has operations in Yemen, Afghanistan, Pakistan, Bangladesh, Sierra Leone, Liberia, southern Sudan, Uganda, Tanzania, Sri Lanka, India and Indonesia; and provides technical assistance to FONKOZE in Haiti. It has 'crossed not just political borders, but also breached the borders of development orthodoxy, demonstrating that poverty can be pushed back dramatically when tackled directly,' notes Ian Smillie in *Freedom from Want*, his excellent account of BRAC's remarkable success.[2] While I was not able to interview Fazle Hasan Abed for this paper, I had a wealth of material to draw from as much has been written about BRAC and its Founder.[3]

I selected Jamii Bora in Kenya for its depth of outreach. What began as an initiative formed by 50 street beggars has developed into a multi-service organisation that provides not only health and educational services, but is also creating a township where the poorest people can escape from the slums and the related degradation that living in poverty imposes. I had the pleasure of interviewing its founder, Ingrid Munro.

Finally, how could I not choose Pro Mujer in Latin America when as a co-founder I know it so well and am convinced its integrated approach to women's development epitomises the soul of microfinance? I interviewed both co-founder Carmen Velasco, my dear friend and colleague, and Rosario Perez, Pro Mujer's CEO since 2008, as I thought it important to capture not only the co-founders' mission and values, but also show how Pro Mujer is becoming more rigorously managed under Rosario's leadership in order to take the organisation to the next chapter of its more than 21-year trajectory.

In my discussion of these three organisations, I have sought to portray the founders' vision and motivation; their approach to microfinance and how they have combined it with other services and programmes; their new frontiers for themselves and their organisations; and what they consider to be the challenges and opportunities for the future. I take up the founders in the following order: Ingrid Munro; Carmen Velasco and myself; and Fazle Hasan Abed, founder of BRAC, a global organisation which operates in Asia, Africa and provides technical assistance to FONKOZE in Haiti. My conclusions, based on their work, highlight the soul of the microfinance movement and how it demonstrates that people

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[2] Smillie (2009).

[3] Ashoka Social Entrepreneur Video Series and BRAC 2009 Annual Report.

can be empowered to transform their lives when given the services, support and opportunities that they deserve as citizens of planet earth.

II. Ingrid Munro, Founder of Jamii Bora

A. Vision and Motivation

Ingrid Munro attributes her drive to build a people's movement to her experience working in Sweden's government, where she was trained by the experienced ministers who made Sweden the best welfare state in the world. She says, 'I know that if the poor of Sweden could build one of the best welfare states in the world, why shouldn't poor people in other countries be able to do the same?' It was through her work with the government that she became involved with international development initiatives focused on housing for the very poor. In 1985 she went to Kenya to head a United Nations project for the homeless that was headquartered in Nairobi. 'I was very moved when I was exposed to real poverty in Latin America, Africa, and Asia,' she says, 'and I knew it wasn't right.'

Jamii Bora took root when Ingrid adopted a street child in Nairobi and began meeting the mothers of other street children. She realised that the women, mostly beggars, had to start saving. To encourage them, she offered to loan them double the amount they saved; two shillings for every one they saved. The strategy worked. The women began to save and to borrow, and their success attracted many others as did the fact that Ingrid hired former beggars, sending a clear message of hope, 'If I can do it, so can you'.

By October 2007, Jamii Bora – the organisation Ingrid started with only fifty beggars in 1999 – had grown to 170,000 clients and had disbursed a cumulative US$28 million in loans. At that time, its members comprised 25% of all the households in the two worst slums in Kenya.

Jamii Bora would not be as successful if it did not offer a support system for its members. When, for example, thieves break into their little kiosks, corrupt police take their goods or a fire destroys everything: 'You have to be there to encourage them and help them through crises. It's not enough to expect that a loan by itself will be enough to move them out of poverty.' When these emergencies occur, she brings the members together to help them get back on their feet so they can repay their loans and get new ones.

B. More than Microfinance: Health Services

In early 2001, when Ingrid realised that some clients were falling behind in their repayments, she and her staff visited all the members who were in arrears to find out why. They found that 93 percent of members with arrears had the same problem: someone in the family was sick and needed to be admitted to a hospital. When Ingrid realised the members could not afford medicines or health services, she asked insurance companies to develop an insurance product for the members. On finding out that the cheapest policy was far more than the members could afford to pay, she decided to develop her own in-house health care product.

Ingrid and her staff considered the health care needs of the members as well as their ability to pay for health services. They finally determined they could charge 1,000 shillings a year (US$12), which would cover health services for one adult member and a maximum of four dependent children. Additional children could be covered for only $2 per child per year. What's more, the policy would cover in-patient care, consisting of treatment in one of the mission hospitals in Nairobi that Ingrid linked to Jamii Bora. The mission hospitals traditionally served the poor, but had difficulty making ends meet and could not afford to provide services on credit. Ingrid solved the problem by paying them up front for their services and sending Jamii Bora members to the hospital with a letter vouching for their health insurance which would cover all costs of care. She is extremely proud that she was able to succeed in spite of all the experts who told her that it would be impossible to get affordable health coverage for all the members and not just a few.

The policy covers not only maternity-related services, but any kind of medical interventions, including in-patient treatment for people with HIV and AIDS. Since instigating the insurance coverage, Jamii Bora has been able to cover all costs of care for its members. No operation seems out of bounds. Ingrid tells a story about sending for an artificial hip from Germany for a young beggar woman, the mother of three small children, whose hip was so dislocated she could not even sit up in bed.

C. The Frontier: Township Development

Perhaps the most ambitious project Ingrid is undertaking is the development of Kaputei, a township near Nairobi that will provide housing for Jamii Bora members, who live in slums where space is expensive and crowded, with little privacy or access to clean water and electricity. She sees good housing as an asset that will improve members' health and provide a safe place for them to work or store their products.

Plans for the township are ambitious. The Jamii Bora Trust has procured 293 acres of prime land in Kisaju, Kajiado District for 2,000 families. Each neighbourhood of 250 families will include its own playgrounds and parks. The town centre will provide commercial, cultural and educational services that will be open to the community at large and not just to the township residents. Ingrid is working with two universities to ensure that the township is based on ecologically sound principles. It will have trees for beauty, wind protection and income generation from wood sales. The wastewater will be recycled and cleaned to protect the environment of all down-stream communities. An industrial centre will produce building materials for the homes and provide employment and income for residents.

D. Future Goals

Looking ahead to the time she is no longer at the helm of Jamii Bora, Ingrid foresees the members taking over the leadership. She believes this is feasible. 'Jamii Bora has always been run like a cooperative,' she said, 'and its members have been involved in its development all along'. Ingrid dreams of the time when Jamii Bora will have operations in every corner of Kenya, but she is not naive. 'If well-intentioned investors take it over, it will be all about the money. Even social investors are under pressure from shareholders, and may have to put profits ahead of members' welfare.'

III. Carmen Velasco and Lynne Patterson, Co-Founders and Directors, Pro Mujer

A. Vision and Motivation

Carmen Velasco attributes her interest in social justice to her father's influence when she was growing up in Bolivia. He was extremely compassionate and he abhorred poverty. Carmen observed poverty first hand when, as a student of educational psychology, she was required to work with poor children with learning disabilities in Chile. Later, in Bolivia, she continued to work with parents and children in El Alto, establishing daycare and running parent programmes in the most impoverished areas of the city. The Early Childhood Stimulation Guides she produced for UNICEF were designed to help parents prepare their infants and toddlers for school. 'What motivates me,' says Carmen, 'is the urge I have to pursue justice. I am always asking myself, 'Why we do we have to live in a world that is so unfair?'

I share a very similar background to Carmen's, having always worked with low-income children and parents in public schools in New York City and Long Island. When I moved with my family to La Paz in 1990, I looked for ways to continue working with parents and children. Fortunately, I met Carmen and we began developing programmes in parent education, health and family planning for women receiving donated food – the poorest of the poor. We soon realised that the best way to give the next generation a good start, was to teach their mothers how to keep them safe and healthy and intellectually curious.

After six months, the women told us their most pressing need was to increase family income and they asked us to help them initiate or improve their small businesses. By then we were so committed to these women that we agreed to help, though we knew nothing about small business development or financial services. We would never have believed that this would eventually lead us to founding Pro Mujer and replicating the development programmes we designed for women in Bolivia and in four other Latin American countries in the next few years.

B. Approach to Microfinance

For Pro Mujer, microfinance is just one way – in addition to business training, preventive health education and high-quality, low-cost primary health care – of helping empower women, and not an end in itself. We selected a group lending methodology, sometimes called 'village banking', because we saw it as the ideal vehicle for the ongoing training and education of women. We named the lending groups communal banks, and empowered the women in those groups to self-organise through elected boards of directors, credit committees, and solidarity groups, among others. These groups are training grounds for women where they learn and practice communications and leadership skills, help and encourage each other to solve both personal and business problems, and in the process develop the self-esteem and self-confidence that enables them to renegotiate their relationships at home and in their communities. All of this is done in safe and supportive environments hosted by our Pro Mujer centres and moderated by trained credit officers who also facilitate educational programmes.

Not all poor people are entrepreneurial, but since there are few or no jobs available to them, their only option for employment is to create their own jobs by starting a small business. These micro-businesses yield micro-income and few become robust businesses. Most people would prefer a job and stable income to starting a small business. The most intractable problem facing microfinance clients is developing a stable and profitable business. Getting a loan is no guarantee that a woman will be able to initiate a successful small business. That is why Pro Mujer provides ongoing training in business skills and financial literacy such as accounting, business management and supply and demand, among others, and strives to link women with other resources they need to develop their businesses.

Because we accept clients with little or no business experience, we require that new clients produce a business plan showing how they intend to invest and repay their loan. Basic business training has always been part of Pro Mujer's multidimensional approach, as most very poor women lack strong entrepreneurial skills and are simply copying businesses they observe. In addition to business training, Pro Mujer offers financial literacy training along with health and human development training (domestic violence, women's rights, etc.) geared to clients' needs and preferences. That is just part of the story, because our clients are also at risk because of potential health problems.

C. New Frontier: Health Services

'What good is access to financial services if you are sick?' asks Carmen Velasco. 'I hear everyone saying health insurance is the answer. But what good is health insurance if health services are lousy?' Early on, Carmen and I realised that the women were not accessing health services. We heard grisly stories of maltreatment at clinics and hospitals where the women were left alone, not given care or even clean bedding, and ignored by staff that looked down on them. They preferred to have children at home on the kitchen floor, though the chance that infants would survive their first year was slim. In fact, many women did not even name their newborns until they were a year old, fearing they would not survive. Carmen and I looked high and low for quality health services for our clients, but without success. As a result, we set up clinics in the neighbourhood centres where our clients could receive the primary health care they and their families needed.

Pro Mujer's health services are currently being upgraded and refocused on the prevention of chronic diseases which are on the rise across Latin America but are being neglected by the public sector. Pro Mujer's new health model, which is being piloted in Nicaragua, will focus on the prevention of diabetes, cancer, hypertension and asthma – that cause 80% of deaths in low- and middle-income countries – as early detection can dramatically reduce both mortality rates and treatment costs. Pro Mujer is in an ideal position to educate women to undergo testing and to follow up on the results as health education is provided at loan repayment meetings.

The new model and the lessons learned from the pilot will be adapted and rolled out to all of Pro Mujer's operations in Latin America. The advantages of this health model will be: (a) high-impact as a result of prevention and early detection of the most common conditions; (b) long-term cost savings for women due to timely control of conditions; and (c) convenience for clients since health services will be in Pro Mujer's neighbourhood centres, together with improved compliance with health care regimens for the same reason. This not only has implications for our own operations but it has the potential to have an impact in other countries around the world.

The model is designed to be financially sustainable as the price of health services will cover costs and will be paid in instalments. To ensure the model's success, Pro Mujer carried out market studies to determine what clients value and what services they are willing to pay for. Pro Mujer will collaborate with other providers to ensure that its clients have the broad range of services they need at prices they can afford.

'What motivates me the most is the idea that we are making a huge difference,' says Rosario Perez, Pro Mujer's CEO. 'Pro Mujer has offered an integrated package of educational, financial and health services since its founding.

It has never deviated from its main goal which is to get these women to become the architects of their own lives. When I go out into the field and listen to the women talking among themselves in their groups, I understand the profound impact we are having on their lives.

And I think that the women who are entering Pro Mujer at this time are probably more privileged than those women Carmen and Lynne met 20 years ago in El Alto, because the world and their respective countries have evolved since then. They have undergone such transformations as a result of globalisation, technology and the relatively easy access to information. What I have seen in my five years with Pro Mujer, two on the board and three here, is unbelievable.'

For the short term, Rosario is focusing all of Pro Mujer's efforts around a demand-driven, client-centric model, in contrast to the historical mindset that saw the poor as beneficiaries. She is making sure that all of Pro Mujer's employees see these clients as women who have choices to make based on individual preferences, providing them with the services they need, delivered in the way they can best access them, and at the lowest sustainable price.

Rosario is creating the infrastructure – the training programmes and tools for the staff – that are needed in order to accomplish her goal of building a relentlessly client-focused organisation. She knows that because Pro Mujer is a client-focused organisation, not a service or a product organisation, employees need to respond to clients' feedback and make needed changes in products, services, or service delivery. They also need to continue to be aware of the problems clients are experiencing in order to remove as many barriers as possible.

'I see more things coming down the pipeline in all areas. I see our clients, depending on where they are in their life cycle or their business cycle, requiring differentiated types of training, differentiated types of financial, health and human development services for them and their families. So it's constantly redefining and rediscovering what they need and how they need it. Clients change, markets change, and Pro Mujer has to constantly innovate and make the right connections. While I don't have a crystal ball, I know things are going to change, but we need to be ahead of the curve and making those changes – not just be ready for it.'

IV. Fazle Hasan Abed, Founder of BRAC

A. Vision and Motivation

Fazle Hasan Abed is driven by the vision of a world free from all forms of exploitation and discrimination where everyone has the opportunity to realise their potential. He is determined to find the most effective ways to overcome poverty, illiteracy, disease and social injustice by empowering men and women to reach their full potential through economic and social programmes.

'We came to microfinance by looking first at integrated rural development,' recalls Abed, 'by looking at people for their health, education, employment, savings. We actually started a savings programme before we started giving credit. I have always felt that poor people have very short time horizons to think about – daily bread, daily needs. They can't think more than 24 hours at a time. They think by next week things can be better if I get a job today. I thought the thing to do was to start savings because that would give a person a longer time frame to think about, not just one day.'

From his experience in the 1970s, Abed learned that livelihood development is an important, if not the most important component for helping people rise out of poverty. Livelihoods, as distinct from jobs, are income-generating activities that women can carry out in addition to the other responsibilities in the home and caring for children. From the start, during the aftermath of the 1972 cyclone, he worked to restore the livelihoods of the farmer and fishermen who had lost everything. He took nothing for granted. He visited the area, did a survey of needs and, based on his analysis, recognised that the restoration and/or provision of livelihoods was key to future progress.

B. Approach to Microfinance

According to Abed, 'Everybody can't just do microfinance. Microfinance has to be combined with other plus plus (microfinance in addition to non-financial services). It's much better if you can combine it with other things like health and education. Microfinance plus plus is something that has its own challenges, but if you can't do all of it, at least do microfinance. So what I am doing right now, what we are doing going into a new area, I would say start off with microfinance and get that working right and then you can provide education and health care and other things. So I would start with microfinance and then combine it, add on, other services.'

'I think you need both. You need to create jobs for poor people as well as make them social entrepreneurs. Poor people need jobs also, and that's the reason that I asked a group of donors to give me some money to start off a small and medium enterprise lending programme. And this has been very successful in creating new jobs for people. Then I set up a bank to do that in Bangladesh and it is doing that on a fairly large scale, US$1.2 billion now for small enterprises.' The loans are larger than microfinance, starting at US$700 to US$800 and going up to US$30,000.

'I have set up a bank. In order to do small and medium enterprise lending, you need to do be a banker and have banking skills to understand – read balance sheets, cash flows – so your loan officers need to be more like a banker than a microfinance officer. Most clients are men. They are more entrepreneurial, more willing to take risks. In Bangladesh women tend to be less entrepreneurial at that level. They often are not allowed to do the kinds of things that men are allowed to do in our society.'

BRAC's social enterprises span livestock, fisheries, printing, packaging, and retail that provide employment for thousands of people as well as surplus funds that subsidise its less profitable health and educational services.

An example of one of BRAC's social enterprises is the dairy business it created for women whose primary income-generating activity is selling milk their cows produce. Many of the borrowers invest their loans in livestock. To increase their productivity, BRAC provides supporting activities that form backward and forward supply chain linkages, including disease management, dissemination of improved breeds, supply of livestock and poultry feeds and marketing of milk. To minimise borrower risks, BRAC provides training on feed care and illness detection, delivers veterinary services, artificial insemination to improve cattle breed and arranges for village-level milk collections. Women can walk from their home to a central place in the village where milk is collected daily and taken to regional chilling centres. Tankers collect from chilling centres and deposit centrally for processing, packaging, national distribution and sale. Taken together with access to BRAC's health care, education and social empowerment programmes, they form a value chain. The end result is creation of employment and income for borrower and a furthering of the mission.

Distinguishing features of these enterprises is BRAC's willingness to accept low profit margins and to shoulder considerable risk on behalf of clients pursuing their principal income generation activity. Careful planning and pilots help to ensure that there is demand for products and that the enterprise is viable. BRAC persists in running low-profit enterprises because those ventures create transformative benefits for the poor in terms of employment, increased income and the like.

C. A Global Frontier

Abed says he wished he'd gone global earlier. 'I think on the whole our expansion has shown that our programme is more or less replicable to other cultures, but some have required adaptations, for example, when we went to Afghanistan and we went to provide financial services to women, but you can't have male staff working with women so we just have all female staff.' At first, he notes, some of the women were reluctant to go village to village, but once they started going on their own, as long as they wore the veil and observed custom, it was fine. Now there are more than 2,400 BRAC loan officers working in Afghanistan and they are all women.

In Africa, BRAC has women driving motorcycles, something they can't do in Afghanistan because of their 'burkas', but Abed hopes that one day BRAC will be able to give Afghan women motorcycles too. 'I want to give thousands of women motorcycles all at the same time and maybe one day we'll have a rally in Kabul where 10,000 women are driving motorcycles'. Talk about breaking the rules!

Abed is thinking ahead to the time when almost everyone in Bangladesh, including BRAC's poorest clients, will have access to a cell phone that will allow them to save and transfer money and make payments. BRAC has already got a licence from the Central Bank to set up this mobile cash management system. He foresees the day when 30 million Bangladeshi microfinance borrowers will have access to cell phones and BRAC will be able to reduce the costs of delivering financial services to the poorest people in the remotest areas of the country.

D. The Future

Abed believes that group programmes will still continue, but that face-to-face time with people will diminish. Right now, 8.2 million people in Bangladesh are meeting with BRAC staff every week. Monthly meetings would be more efficient, cutting down the travel for the clients and the staff. BRAC will stay connected to clients through cell phones, and clients will transact business among themselves through cell phones. 'I just hope I live long enough to see this happen. It is wonderful to see all the changes that are happening and in the right direction. Some people have said that as you grow older you get more and more pessimistic, but I get more optimistic the older I get.' In the next four years he predicts that BRAC's staff will number 100,000 and that it will be expanding operations and services in 10 to 15 countries. Education will be a primary focus as the ultimate goal for Abed is an educated citizenry.

V. Beyond Microfinance: Social and Financial Inclusion

While all of the founders profiled above have very different backgrounds and shaped very different organisations, they share the following characteristics:

- They are motivated by the desire to alleviate suffering imposed by poverty and create a world where all people can flourish;
- They organise the poor in groups to receive financial services and ongoing education and training;
- They place clients in leadership roles that develop their abilities and self-confidence;
- They provide a range of services in addition to financial services in order to help clients achieve business success and also to live their lives with dignity and pride;
- They are pioneering new solutions that are needed to respond to rapidly changing client needs and evolving economic and political conditions;

- They are forming partnerships with public and private entities to increase outreach and impact;
- They amplify their organisations' beneficial impact on clients by reinvesting any 'profits' in the enhancement of programmes and services clients need; and
- They are optimistic and continue to pioneer new solutions to the multi-dimensional problem of poverty.

The microfinance movement has gone in two directions. On the one hand it has become more exclusive by focusing only on financial services and, on the other hand, it has become more inclusive as it has adopted a more holistic approach by combining financial services with other sectors such as health care and livelihood development. Both of these directions have borne fruit. We've seen the success of commercial microfinance in terms of scale and profitability. The more commercial financial institutions are serving the largest number of clients, though they may not be the poorest clients. The more socially motivated organisations have used microfinance as a platform to deliver other services; they have reinvested profits to be able to provide health and educational services that rival or even exceed financial services in importance.

Where do we go from here? The answer seems obvious: The microfinance movement will continue to innovate to effectively serve the poorest clients and expand the level of fairness and inclusion among developing economies worldwide. There will be new entrants to the field, and more social entrepreneurs will work toward finding business solutions to longstanding and seemingly intractable social problems. Innovation and change will speed up as new technologies like cellphone-based financial transactions give rise to increased access to financing and the internet expands access to information and expertise.

These diverse efforts will be united by the ethical and operational imperative to provide services and products to the poor in a transparent, ethical and businesslike way. The microfinance institutions that do this most consistently and sustainably will be most successful. The focus will be on understanding, knowing and serving clients, rather than protecting them from bad business practices.

Microfinance proved the previously unthinkable: that the poorest entrepreneurs are creditworthy and bankable. It showed that there are viable markets for good products that the poor want and need, and that if these products are provided affordably and conveniently they will be adopted. I believe that we've moved beyond microfinance and we're seeing new entrants who are designing business models to sell affordable health care, education and housing to people previously left adrift by conventional business and government. We can no longer work in isolation from each other, but need to work together – governments, NGOs, non-profits and mainstream businesses – to create the vision and the social and political environment that can enable all people to leave poverty behind and lead their lives with dignity. □

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Growing Potential: Microfinance-Plus Approaches

To Cultivating the New Generation of Young Clients[1]

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Abstract: The paper presents an overview of the business and social case for serving young people with appropriate financial services. Using examples from several global financial institutions, it addresses the differences between youth and adult market segments as well as how financial products differ for young people. The paper presents practical guidelines to help institutions begin thinking about developing or adapting financial services for youth and will highlight the essential non-financial aspects of serving young people with financial services including life skills, health and business training as well as providing safe meeting spaces and mentoring. Finally, it concludes by discussing a vision for the youth-intensive financial services including a call for youth-friendly banking regulation, greater research and experimentation, especially with services for the most vulnerable youth, as well as the need for greater advocacy to encourage financial institutions to invest in appropriate, demand-driven financial services for young people.

[1] This paper was written for the 2011 Global Microcredit Summit in Valladolid, Spain from 14-17 November 2011, and is reprinted with the permission of the Microcredit Summit Campaign www.microcreditsummit.org. Authors are respectively Director of Youth-Inclusive Financial Services, and President and Founder of Making Cents International, USA.

Introduction

NEARLY half of the world's population is under 25. Eighty-five percent of these youth live in the developing world. Some 620 million young people in their early working years, ages 15-24, were unemployed at the end of 2009 (UNFPA 2010). Many of these young people face pressures to leave school to contribute to household income, thus leaving them without the skills to create livelihoods as they mature. This lack of opportunity is perceived by many as a crisis in the making. Others believe that the sheer size of this youth population presents a window of opportunity to prepare the next generation with the education and skills to generate entrepreneurship, asset-building, economic growth, and stability (World Bank 2007).

Youth Unemployment

For every unemployed adult, 2.8 youth are unemployed worldwide. In some regions, youth represent an even larger portion of the unemployed. The youth-to-adult unemployment ratio is 3.7 in North Africa and is as high as 5.0 in South East Asia and the Pacific (Johnson (2010). Yet unemployment only tells a small part of the story. Like their adult counterparts, many youth are underemployed or employed in the informal.

Making Cents International (MCI), along with a growing cadre of banks, microfinance institutions (MFIs), network organisations and technical assistance providers, believes that financial services – whether a safe place to save or an appropriately structured loan for investment in an enterprise or education – can play an integral role in improving the lives of these young people.

While savings and, in some cases, credit[2] may already be available to select groups of young people, these products in their current form may not be appropriate. As a result, young people have few opportunities to benefit from financial services. A number of stakeholders are working to adapt these services to better prepare young people to manage the challenges of transition to adulthood and to enable them to seize opportunities that can result from asset accumulation and access to credit. For

2 Credit is usually limited to those above the age of 18, based on the minimum legal age to enter into a legal agreement. Depending on the country, savings may also be limited to the age of majority.

example, making relatively minor adjustments to product terms and conditions; developing new marketing and delivery mechanisms; or providing complementary non-financial services such as financial education, would provide better value to young people. As a result, financial services providers, both regulated and unregulated, would be able to expand access of youth to financial services while cultivating the next generation of clients.

To support the case for tailoring financial services for young clients, MCI has played a critical convening, knowledge sharing, and capacity building role since 2007.[3] Its work in this nascent sector led to the Youth-Inclusive Financial Services Linkage Programme (YFS-Link), a three-year initiative in partnership with The MasterCard Foundation. YFS-Link aims to consolidate promising practices in the sector, translating them into practical tools and resources, and disseminating them through a variety of distribution channels including short training courses, tailored technical assistance, case studies, and conference workshops. In three years, the YFS-Link programme has helped organisations worldwide to design quality, demand-driven financial and non-financial services for young people.[4]

As MCI embarked on its research agenda for the youth market, it sought to answer the following questions: (a) How do we define the youth market? (b) What do youth-inclusive financial services look like in practice? (c) What is the socio-economic case for serving young people with tailored financial services? and (d) Is there a business case for doing so? This paper draws upon case studies from early entrants into the YFS market to provide an overview of MCI's answers to these questions. It also lays the groundwork for advancing the sector including the need for greater policy support, advocacy, and funding for more product experimentation and research.

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3 Making Cents Global Youth Economic Opportunities Conference provides a learning platform for the world's leading professionals working to increase and improve economic opportunities for young people – www.YouthEconomicOpportunities.org.

4 YFS Resources: For more information on the examples highlighted in this paper visit the YFS-Link web portal, www.yfslink.org to access a series of case studies, videos and other useful tools and resources related to the development of quality, demand-driven financial services for young people.

Section 1: Defining and Segmenting the Youth Market

A common first question posed by newcomers to the field of YFS is, 'What do you mean by "youth"?' Definitions of youth in terms of age range vary, but MCI uses the United Nations (UN) definition of 12-24. However, within that range, it is a misnomer to talk about a generic 'youth market'. The 12-24 age segment is characterised by significant gender, life transitions, and related diversity in living situations, earning and learning balances, and overall life circumstances. For example, CHF International's research with its partner MFI, Ryada, in the West Bank/ Gaza, found some interesting distinctions by gender. Young men aged 18-29 preparing for marriage were interested in saving to be able to afford the dowry; whereas young women of this same age range showed less interest in saving, in part because they would receive gifts and jewellery upon marriage. As such, it is more useful to speak about 'youth markets' or about youth sub-segments of existing markets'(MCI 2010).

The next section discusses several examples of products and delivery channels designed for specific sub-segments of the youth market in different country contexts.

Section 2: Youth-Specific Product and Delivery Channels

As institutions carry out YFS product development, many have found that youth-inclusive financial products need only differ slightly from those offered to older clients. These slight adaptations include smaller opening and/or minimum balances for savings accounts, smaller loan sizes, and lower fees. Often marketing and delivery mechanisms are tailored to youth preferences, such as providing deposit-taking services in schools. In addition, youth-oriented products are usually accompanied by non-financial services that support a young person's ability to effectively use the financial services, such as financial education. These differences make financial services more accessible, attractive, and easier to use by the different youth market segments.

Specific examples of youth products that have been modified from adult products include:

Child, Adolescent, and Youth Savings: Microfinance banks including XacBank in Mongolia, Banco Adopem in the Dominican

Republic, and K-Rep Bank in Kenya each made small changes to their adult savings products to make them more accessible to young people, ages 19 and under, including reductions in minimum balance and fees. All three banks have also partnered with separate institutions to provide financial education and/or other non-financial services including life skills training and mentoring, to their young savers. Alternative delivery mechanisms have also been developed in some cases where the banks partner with schools or community-based organisations (CBOs) to provide safer more convenient locations for the young people to gather, participate in training and make deposits (MCI 2010).

Group Lending to Young Entrepreneurs: Several microfinance institutions including Equity Bank in Kenya, Alexandria Business Association (ABA) in Egypt and Al Amal Microfinance Bank (Al Amal) in Yemen provide young entrepreneurs aged 18-30 with loans backed by a group guarantee. By starting off with small amounts under a group-based methodology, these banks are able to provide young people with start-up capital without requiring collateral. Similar to the aforementioned savings product, these institutions also link clients to some type of financial education or entrepreneurship training to complement the loan and help prepare young clients to manage money and grow their businesses. Alternative delivery mechanisms also facilitate greater access including partnerships with schools and universities and in-home delivery for less mobile clients such as young women (MCI 2010).

Informal Mechanisms: Some non-governmental organisations (NGOs) are piloting informal savings and lending mechanisms to reach more vulnerable segments, such as rural youth and orphaned and vulnerable children (OVC) under the age of 18. CARE's Village Savings and Loan Associations (VSLAs), Catholic Relief Services' (CRS) Savings and Internal Lending Communities (SILCs) and Plan International's Youth Savings and Loan Associations (YSLAs) all share several similarities with the well-known savings group model including regular meetings and self-managed and time-bound groups that both save and lend internally. The differences generally lie in the type and method of training used to form groups, the staff skill set necessary to work with younger clients, and the general emphasis on savings versus lending (MCI 2010).

As Making Cents, along with several of the organisations mentioned in this paper, continue to advocate for specialisation of financial and non-financial services for young clients, there remains a group of sceptics that argue that there is no need to tailor products for this segment, pointing out that the average MFI already serves young people (ages18-25) with its existing products. These sceptics ask: Why should I adapt products for youth when I already serve them with my existing products? How can tailoring financial services for youth improve their chances of building successful livelihoods? Are these youth-focused products sustainable or profitable? The following sections address these important questions and provide some preliminary evidence around building both the socio-economic case and the business case for serving younger clients with tailored, demand-driven financial services.

Section 3: The Socio-Economic Case for Serving Youth with Tailored Financial Services

Many financial services providers, both regulated and unregulated, are motivated by a social goal of helping the poor to improve their lives through microfinance. Some, however, do not believe that young people require financial services or maintain that the services need not be differentiated from those for the adult market. The evidence from existing products and services that are tailored to youth indicate that youth want and use such products. Adaptation as well as integration with non-financial services can contribute to uptake and outcomes. The case for tailoring financial services to the needs of young people can be supported by six specific indicators:

Young people are economically active: Many believe that youth who are not formally employed are inactive or engaged in unproductive activities, and therefore do not require financial services. However, research indicates that most young people ages 14-25 in developing countries, no matter the location, are already economically active. Most youth contribute to household income 'through work in the informal sector, in household-based enterprises, or in family-based farming, fishing and petty trading activities' (James-Wilson 2008). Yet they do not have access to the resources they need – including access to appropriate financial services – to reach their full economic potential.

Young people need savings: Savings can help youth meet their needs for investment (education, business), consumption (food, clothing), emergencies (illness, accident, theft), and life cycle events (marriages, funerals). Young people do save, and research suggests that saving can be even more important than credit as it promotes positive habits related to planning and goal-setting. A 2009 USAID *MicroReport* noted that youth share similar demand for savings services to that of low-income adults – convenient access, relative security, liquidity in case of emergencies, and a secure place to accumulate larger sums (Hirshland 2009).

Young people borrow money: Youth of legal age may need access to credit as they transition into adulthood. Research in the West Bank/Gaza revealed that young people look to supplement their existing savings with credit in order to finance their education or start a new business (MCI 2010). The credit products should be tailored to the critical life transitions of youth (i.e. entering the workforce, moving into higher education, getting married, etc.).

Existing youth clients demand more personalised services: Women's World Banking (WWB) affiliate, XacBank in Mongolia, studied adolescent girls and young women ages 10-24 to understand their needs for savings products. Results found that XacBank's existing youth savings product was not attractive for teenagers because their parents managed the account and they were not allowed to withdraw until they were 18 without closing the account. These girls wanted free access to their money and the ability to manage it on a daily basis (Shell 2009). Mennonite Economic Development Associates' (MEDA's) research on existing youth loan clients in Morocco, ages 18-25, found that younger clients needed more guidance in terms of training and business advisory services and requested a grace-period to off-set their business start-up costs (Denomy 2009).

Young people need to learn while they are young: Research on brain development shows that there is a critical stage between the ages of 11 and 24 years for developing abilities such as planning and goal setting. Trying to learn this after the age of 24 is more challenging, so 'exercising' the brain during this time frame to develop these abilities is crucial. Learning to save during this time frame can help young people develop the skills to plan for the future and set goals for themselves (Scarborough 2010).

Young people are an investment: Building on the argument above, the 2007 World Development Report frames the surging youth populations in the developing world as a 'youth dividend', seeing this time as one of great opportunity – to invest in these youth, and therefore contribute to a country's human, social, and economic capital (World Bank, 2007). Some institutions recognise that helping youth become economically active contributors to society, benefits not only the youth and the financial services provider, but also the larger community as a whole.

In addition to the social and economic arguments behind youth-inclusive financial services, there is a strong emerging business case for offering these services to young people. To examine the business case for targeting youth with tailored financial services, MCI carried out desk reviews, conducted interviews with early entrants into the YFS arena, and performed in-depth portfolio analysis with one of its partners, Fundación Paraguaya. The following section presents the initial findings.

Section 4:
Is there a Business Case for Targeting 'Youth' Clients?

An important precursor to product development is analysing the business case behind serving a new market segment. There are a number of factors that can lead a financial services provider to consider offering tailored products to youth markets. These can include an in-house motivation, competition, or government incentives. However, financial services providers must also examine the potential profitability, particularly given that young people tend to manage smaller sums of money and the apparently higher relative risk given young people's less established businesses to generate regular cash flow and repayment.

While there is still relatively little historical data regarding the financial benefits of serving youth markets, MCI identified three YFS pioneers, including Equity Bank (Equity) in Kenya, Hatton National Bank (HNB) in Sri Lanka and Fundación Paraguaya (FP) in Paraguay, that were able to provide data to support their decision to develop financial services for young people. These examples illustrate the different perspectives on the business case for such services. While some institutions are looking for profitability 'now' or in the relative short term, others look to youth as a source of future profitability or in the medium to long term. Others may consider the youth market as an investment in greater client retention, corporate social responsibility and the potential to cross-sell more profitable products (such as credit) to friends and family members of younger clients.

A. Shorter-Term Profitability

Institutions looking for short-term gains generally enter into the market because their investments are covered or offset by government or donor programmes. MCI identified one partner as having self-reported information demonstrating a short-term case for profitability – with subsidy for the initial investment – in offering credit to younger clients.

Equity Bank entered into a partnership with the Kenya Youth Enterprise Development Fund in 2008 (a government programme that provides subsidised loan capital for banks, MFIs and NGOs) to lend to young entrepreneurs between the ages of 18-35 at below-market rates. Equity Bank leveraged the initial 100 million Kenya Shillings (US$1.2 million) received through the programme to disburse a total of 2.83 billion Kenyan Shillings (US$33.4 million) to 74,000 youth by the end of 2010. Equity Bank provides a group lending product called *Young Entrepreneurs Clubs*, as well as savings and insurance products. These young clients also receive complementary non-financial services such as financial education, business training, advisory services and mentoring through partnerships with foundations and NGOs.

Equity's youth clients perform better than their adult counterparts: Portfolio At Risk (PAR) >30 days for youth was 3% while PAR >30 days for adult clients was 5% at the end of 2010. This figure represents an important departure from the common assumption that youth are riskier than adults. According to David Mukaru, Head of Microcredit at Equity Bank, one of the key reasons behind this lower risk is the integrated package of services that youth clients receive. Equity credits its group methodology and the training and mentoring services it offers to youth entrepreneurs as a means to guarantee greater success rates in youth enterprises and strong repayment (MCI, forthcoming).

These results mirror those of similar products in other institutions including Al Amal Microfinance Bank in Yemen, Alexandria Business Association (ABA) in Egypt and K-Rep Bank in Kenya. Table 1 below compares PAR >30 days for youth products versus overall PAR >30 days in all four institutions at the end of 2010.

Table 1. Youth PAR >30 days vs. Overall PAR >30 days

December 2010	Equity	K-Rep	ABA	Al Amal
Youth PAR >30 days	3.00%	21.60%	1.30%	0.06%
Total PAR >30 days	5.00%	22.40%	1.10%	0.10%

B. Longer-Term Profitability

The possibilities for a long-term relationship with a huge new market of under-banked clients are perhaps one of the most compelling reasons for a financial service provider to enter the youth market. MCI found two examples of preliminary self-reported (Hatton National Bank) and analytical (Fundación Paraguaya) evidence demonstrating that young people present a strong future market opportunity for financial institutions.

Hatton National Bank is an example, albeit unique, of an institution that provides self-reported evidence behind achieving long-term returns from its young savers. Over the past twenty years, HNB has established 200 Student Banking Units in schools across the country. Through these student-managed banking units, HNB serves over 600,000 student savers under the age of 18. Its US$40 million in student accounts comprised nearly 15% of its gross loan portfolio in 2009 (The MixMarket 2009). HNB has also trained over 30,000 students across the country who have leveraged their experience in managing the Student Banking Units to seek employment in other institutions after graduation.

Building upon the idea of creating more profitable savings accounts, HNB has recently introduced efforts to reduce transaction costs and increase overall savings balances by offering higher than market interest rates to youth savers, up to 3% higher than adult savings accounts, for children and young adults opening savings accounts with a minimum balance of US$4.50 or US$9.00 depending on the age of the child (see Appendix 1 for product descriptions). HNB has the advantage of being able to lock in young people's savings through a contractual product, where money can only be removed from the account for special circumstances until they reach 18 years of age, as per Sri Lankan banking regulation. However, some deposit-taking MFIs have found that increasing the liquidity of youth savings products can also increase their appeal. XacBank in Mongolia, for example, found that when it offered a savings product specifically targeted to girls, they wanted to access their savings before they reached 18. As a result, XacBank introduced a new product for 14-18 year olds,[5] which they could control themselves. Although these types of youth savings accounts are not usually profitable as a stand-alone product, they can be viewed as an investment in longer-term client profitability as children grow older and graduate into more profitable financial products, such as loans.

Fundación Paraguaya, a Paraguayan MFI, launched its youth loan in 2000. Fundación Paraguaya is known for its strong social mission and commitment to serving youth. As of December 2010, FP was serving 6,858 clients between the ages of 18-25 with a tailored loan product and accompanying non-financial services. These youth clients comprise 14.8% of its total loan clientele and 7.5% of its total loan portfolio. To better understand how FP's youth portfolio performs compared to its adult portfolio, MCI conducted in-depth portfolio analysis.

Cursory segmentation of FP's portfolio data suggests that those sceptical of youth clients' profitability are right to be doubtful. In fact, young borrowers (1) take smaller loans, on average half the size of the average adult loan; and (2) have worse repayment rates than their non-youth counterparts (PAR >30 days for youth is 4.01% versus 1.68% for adults). See Appendix 1, Table 2 for more portfolio details. However, through deeper mining of data, a more nuanced picture emerges. MCI analysed the average loan size of young people with a longitudinal perspective, looking at loan growth over two years, and segmented clients by smaller age ranges. Data indicates that while young people typically start with smaller average loan sizes than their adult counterparts, they tend to 'catch up' to the loan size of older borrowers within two years (see Appendix 1, Table 3 for comparison). FP's management cites the types of businesses young people enter into as a potential factor for faster growth. Anecdotal evidence shows that many young people pursue entrepreneurship in innovative sectors such as technology or services that can offer greater investment and growth opportunities, as compared to those of older micro-entrepreneurs who more frequently invest in activities such as street or market vending.

Large loan growth can be a powerful incentive for financial institutions to lend to young entrepreneurs, but only if portfolio quality can be kept under control. Practices to control portfolio quality are thus essential to

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[5] Fourteen is the legal age in Mongolia at which a young person can independently open and manage a savings account.

profitably lend to youth. MCI segmented all of FP's clients by age range and further analysed the repayment performance of these clients. Young clients, 18-25, represent the highest PAR >30 days at 4.01%. However, at PAR >60 days and above, or clients who are behind by several instalments, the youngest clients are no longer the worst performers. For example, PAR >60 days for non-youth clients between 35-39 years of age is 2.2% versus 1.85% for youth clients. The same is true if we look at PAR >90 days, where clients between 30-34 and 35-39 years of age have worse repayment rates than youth clients (see Appendix 1, Table 4 for further details). The data suggests that although youth clients fall behind in their repayment more often than non-youth clients, most of them repay before 60 days. This is important because many MFIs begin to provision for losses after 30 days of delayed payments. Thus, while the delays might be administratively costly, young borrowers, in particular vis-à-vis other age groups, have limited impact on the cost of provisioning, which can have a significant influence on the MFI's overall profitability.

One key risk-mitigating measure at FP is the use of parental guarantees. Recognising that these young borrowers are inexperienced at managing debt, FP requires an adult, typically a parent, guarantee for the loan. FP also notes that training its youth clients in financial literacy has contributed to improved repayment.

Fundación Paraguaya, with its trajectory of committed efforts to adapt products and services for young people, can offer lessons to those institutions that are still cautious. Its experience demonstrates that the upfront costs of managing higher repayment risk and providing additional training and mentoring to young clients actually can pay off over the medium term. This case also highlights the importance of considering parents as key partners in lending and suggests requiring group or parental guarantors where other guarantees are not available.

While this preliminary data suggests a case for future profitability, many questions remain unanswered. These include analysing the costs of delivering the full package of YFS – the non-financial services, mentoring and additional staff time that a young client may require to succeed in their business. Additionally, it is important to understand how much it will cost an institution to get young clients to the point at which they are top performers and to explore potential strategies to manage these additional costs, including partnerships or the use of technology.

C. Indirect Profitability

One final business case, and perhaps the most common one, made by early entrants into the youth-inclusive financial services marketplace is that such investments can generate profits in more indirect or strategic ways. This last approach may in fact apply to all organisations investing in youth, including those mentioned in the previous two approaches. Some examples include:

- Building brand identity in the broader marketplace;
- Increasing client satisfaction/retention;
- Cross-selling (including accessing older family members through youth, or converting savings clients into credit clients);
- Building a positive corporate social responsibility (CSR) identity with government stakeholders (including regulators);
- Not ceding market share / space to competitors; and

The case for indirect profitability is particularly compelling for institutions that develop savings products for young people. While the small balance savings products may rarely become profitable, they are used as a tool to generate customer loyalty and to cultivate future loan clients both with the young savers themselves as well as with their parents or other family members. A few anecdotal examples of institutions taking this approach include XacBank in Mongolia, Banco Adopem in the Dominican Republic, K-Rep Bank and Faulu in Kenya, and FINCA-Uganda and Finance Trust in Uganda.

XacBank and Banco ADOPEM, two affiliates of Women's World Banking, both developed savings products and accompanying financial education for adolescent girls and young women ages 10-24, in an effort to cultivate a future generation of clients. The Population Council, through its Safe and Smart Savings for Vulnerable Adolescent Girls Programme, entered into a partnership with K-Rep Bank and Faulu Kenya and FINCA-Uganda and Finance Trust in Uganda to develop a similar product for vulnerable adolescent girls, ages 10-19. Similar to the WWB affiliates, both Kenyan and Ugandan institutions saw the potential for cultivating their next generation of clients by participating in these programmes as the provider of savings products. Kimanthi Mutua, Managing Director of K-Rep Group suggests: 'Invest today, even if it is a loss leader, look at it as corporate social responsibility, but also an investment that will pay off in the long term' (MCI, forthcoming).

The three approaches outlined in this section serve as examples for institutions to consider as they assess whether investing in younger clients fits within their institutional strategy, local context, and competitive considerations. The decision to invest in youth starts with an institution's assessment of the social and/or business case, but it also depends on availability of resources necessary for building institutional capacity in terms of staffing and systems for YFS product development, testing, and roll out.

Section 5: The Way Forward

Making Cents International's preliminary research in the nascent sector of youth-inclusive financial services presents an encouraging picture for continued growth. Lead collaborators in this area including The MasterCard Foundation and The Nike Foundation have made a significant contribution to the development and experimentation of YFS in a variety of contexts. Some governments, such as Colombia, Nigeria and Kenya, are also beginning to take more of an active role in facilitating greater access to economic opportunities for their growing youth majority. A few technical service providers including Making Cents International, MEDA, and Women's World Banking, are beginning to develop expertise in how to develop the right mix of products and services for younger clients. While these efforts set a good example for the microfinance community, they are still only reaching a fragment of the world's nearly three billion individuals below the age of 25. To reach greater numbers, the YFS sector requires increased advocacy and investment to support product experimentation and research on the business case for YFS and to document promising practices for the broader financial service industry. The role of government is also key in adapting banking policy that enables financial services providers the flexibility to offer independent savings accounts to those below 18.

A. Youth-Friendly Policy and Regulation

Depending on the country, financial institutions may face policy or regulatory roadblocks that prevent them from serving young people. One common barrier is that young people under the age of consent, generally 18, are refused independent access to a savings account. This means that a young person must open a joint account with a parent or guardian and requires parental consent for each transaction. In addition to the inconvenience, this also denies a young person the ability to develop the skills to independently manage their own money and, in some cases, may give rise to parental mismanagement of a young person's savings. The ChildFinance Movement is working to examine existing government policies that promote children's independent access to financial products and services. Policy issues include defining minimum age requirements to open accounts and protecting against unauthorised use of youth savings by parents or guardians.

Another area of policy support that has particular relevance to young people is consumer protection. Since children and youth are considered a special or protected class of citizens, regulators should address questions around how to ensure that banks do not market inappropriate or risky products to this vulnerable population. Additionally, regulators should find ways to ensure that the fine print on these products, including disclosure and transparency requirements, is clear enough for youth to understand it and make informed decisions (MCI 2010).

There are a few savings policy pilots that provide strong examples of a government's ability to promote large-scale access to savings for young people. The Colombian Government's *Oportunidades Rurales* programme combines access to savings accounts and financial education, often termed financial capability, to promote entrepreneurship among 4,000 youth, aged 15-25, in rural Colombia. The Bayelsa State Government in Nigeria is testing matched savings accounts for 1,000 low-income children, ages 11-15 in this conflict-ridden region. These two pilots may provide promising evidence for the valuable role youth savings accounts can play in enabling specific outcomes including setting up microenterprises or funding education (Deshpande and Zimmerman 2010).

Governments can play an important role in promoting financial capabilities of low-income youth by supporting programmes that expand access to formal financial services as well as training programmes to support financial literacy and business development. For example, government programmes in Syria and the West Bank/Gaza are working to mainstream financial and entrepreneurship education into the public school system as a means to generate greater financial literacy and promote entrepreneurship in countries where formal employment is scarce.

B. Increased Funding and Advocacy for Continued Innovation in YFS

While the evidence put forth in Section 4 around the business case for YFS may prove encouraging for some institutions, the up-front costs and subsequent delays in achieving profitability may discourage others from investing in youth. Continued product experimentation, particularly focused around using technology to lower delivery costs, could help to increase uptake by a larger number of actors. Donors play a key role in supporting this type of innovation.

Increased advocacy around YFS can also play a role in generating greater buy-in from donors and policy-makers in terms of the value of youth-inclusive financial services. Making Cents International's Global Youth Economic Opportunities Conference[6] and corresponding *State of the Field in Youth Economic Opportunities* publication aim to provide the broader financial service industry with promising and replicable approaches to serving young people with financial services. Microfinance and credit union networks such as Banking with the Poor in Asia, Sanabel Microfinance Network of the Arab Countries (Sanabel) in the Middle East and North Africa (MENA) region and the National Confederation of Cooperatives (NATCCO) in the Philippines are also taking a strategic approach by making institutional commitments to serving greater numbers of youth within their member institutions. These preliminary efforts will hopefully pave the way for a greater global awareness around the importance of including youth in financial service provision and will support increased funding and experimentation in the sector.

C. More Research on Effective Approaches

Many of the donor-supported youth-friendly financial product pilots mentioned in this paper carry with them a significant monitoring and evaluation component that aims to identify how the products themselves create a positive impact on the lives of young people. For example, The Population Council's Safe and Smart Savings for Vulnerable Adolescent Girls Programme in Kenya and Uganda is showing evidence supporting its integrated approach to serving adolescent girls, ages 10-18, with a mix of savings, financial education and social support. Initial results from its impact study show that participants are three times more likely to make a savings deposit on a weekly basis and at least three times more

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[6] For more information about the conference and to download the latest 'State of the Field' publication, visit www.youtheconomicopportunities.org

likely to have saved any money in the previous six months than girls in a comparison group. Participants are two times more likely to have discussed financial issues with their parents as compared to the control group. They are also significantly more likely to have a long-term financial goal.

The Population Council study also reveals some interesting findings linked to self-esteem and gender norms. Participants are less likely to agree that ‘girls are not as good as boys in school’ than girls in a comparison group. Similarly, participants are less likely to agree that some girls deserved to be raped because of how they behave. Finally, participants also are more likely to know at least one contraceptive method and to know that HIV can be transmitted through sexual intercourse (Austrian, forthcoming).

Several other YFS projects are currently tracking the effectiveness of their approaches on the well-being of youth participants and will hopefully contribute to the growing body of knowledge of what works in youth-inclusive financial services over the coming years. Some examples include YouthSave Consortium, a consortium research project led by Save the Children in collaboration with The Center for Social Development (CSD) at Washington University in St. Louis, New America Foundation, and the Consultative Group to Assist the Poor (CGAP), designed to test youth savings with commercial banks in four different countries; YouthStart, a United Nations Capital Development Fund (UNCDF)-managed project to expand access to financial services for young people in Sub-Saharan Africa; YouthInvest, a MEDA-managed grant to support innovative financial and non-financial services for youth in Morocco and Egypt; and Freedom from Hunger’s Advancing Integrated Microfinance for Youth (AIM) project in Ecuador and Mali.

While expensive, this type of research can help the YFS sector deepen its understanding of younger clients, their needs and wants, and what types of approaches promise the greatest potential for improving lives and livelihoods and well as those that present the greatest potential for replication and scale. Further research on the business case for YFS, including more in-depth cost analysis of products and services as well as an exploration of different partnership models for non-financial service delivery, will help deepen our understanding of how to most efficiently serve younger clients.

Conclusion

Five years ago, very little was known about how to serve young people with financial products. As the topic of the 'youth dividend' generated momentum within the development community, a few pioneers took the plunge into unchartered waters to research their young clients' financial needs and determine how best to serve them. While promising, these preliminary pilots are only beginning to scratch the surface of a very large and important market. Now it is up to the broader financial services sector to further research sustainable and effective financial services for youth, focus on innovation in product and delivery mechanisms, and truly begin addressing the needs of the new generation of young clients. □

Acknowledgements

The MasterCard Foundation and Making Cents International believe that given the opportunity to learn and build their human and financial assets, young people have the potential to transform their lives and to improve the economic opportunities of their families and communities. Our strategic partnership focuses on expanding access to and increasing the scope of financial services for youth via the YFS-Link Programme; sharing lessons learned, promising practices, and programmatic examples via the development and dissemination of the *State of the Field in Youth Economic Opportunities* publication, and yfslink.org online portal dedicated to youth-inclusive financial services resources; and supporting youth as prominent participants in the Global Youth Economic Opportunities Conference.

The success of the YFS-Link Programme is due largely to its partnerships with organisations whose extensive experience in the YFS field forms the basis for our technical work. We are especially grateful to the following institutions for their active support in this data collection process: Equity Bank, Hatton National Bank, Fundación Paraguaya, BRAC, MEDA, Save the Children, CGAP, The New America Foundation, Women's World Banking, Freedom from Hunger, UNCDF, Alexandria Business Association, Al Amal Microfinance Bank, ChildFinance International, Population Council and K-Rep Group.

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Interviews

Making Cents International (forthcoming) Video Interview with David Mukaru, www.yfslink.org.

Making Cents International (forthcoming) Video Interview with Kimanthi Mutua, www.yfslink.org.

Appendix 1: Comparative Tables from Section 3

Table 1: Fundación Paraguaya,
Average Loan Size for Youth and Non-Youth Clients (US$)

Average Loan	Amount
Youth Clients (< 25 years)	447
Non Youth Clients (≥ 25 years)	942

Table 2: Fundación Paraguaya, Portfolio at Risk for Youth and Non-Youth Clients (Days Past Due % of Portfolio)

Total Portfolio	PAR>1	PAR>30	PAR>60	PAR>90	PAR>120	PAR>150	PAR>180
Youth Clients (< 25 yrs)	9.62%	4.01%	1.86%	0.81%	0.25%	0.20%	0.02%
Non-Youth Clients (≥ 25 yrs)	4.81%	1.68%	1.14%	0.66%	0.30%	0.13%	0.02%

Table 3: Fundación Paraguaya, Loan Size for Youth and Non-Youth Clients by Age Group (PYG)

Age Group	Av Disbursed Amount 2008		
Youth Clients (< 25)	2,959,556		
Non-Youth Clients (25-29)	4,044,072	5,441,303	34.6%
Non-Youth Clients (30-34)	4,868,439	6,311,144	29.6%
Non-Youth Clients (35-39)	5,900,950	6,545,509	10.9%
Non-Youth Clients (40-44)	5,793,447	5,541,890	-4.3%
Non-Youth Clients (45-49)	6,229,613	6,140,047	-1.4%
Non-Youth Clients (50-54)	6,125,985	7,050,556	15.1%
Non-Youth Clients (55-59)	5,347,202	7,950,591	48.7%
Non-Youth Clients (60-64)	4,662,295	7,499,493	60.9%
Non-Youth Clients (>=65)	5,769,346	7,214,162	25.0%

Table 4: Fundación Paraguaya, Portfolio at Risk for Youth and Non-Youth Clients by Age Group

Age Group	PAR>1	PAR>30	PAR>60	PAR>90	PAR>120	PAR>150	PAR>180
Youth Clients (<25)	9.62%	4.01%	1.86%	0.81%	0.25%	0.20%	0.02%
Non-Youth Clients (25-29)	5.96%	2.06%	1.42%	0.78%	0.54%	0.20%	0.00%
Non-Youth Clients (30-34)	5.85%	2.23%	1.43%	0.88%	0.40%	0.11%	0.00%
Non-Youth Clients (35-39)	6.40%	2.64%	2.20%	1.24%	0.38%	0.23%	0.03%
Non-Youth Clients (40-44)	4.42%	1.33%	1.07%	0.66%	0.27%	0.11%	0.00%
Non-Youth Clients (45-49)	3.55%	1.35%	0.53%	0.34%	0.08%	0.03%	0.00%
Non-Youth Clients (50-54)	3.54%	0.80%	0.68%	0.41%	0.21%	0.18%	0.11%
Non-Youth Clients (55-59)	4.36%	1.47%	0.95%	0.40%	0.31%	0.21%	Y0.00%
Non-Youth Clients (60-64)	2.77%	0.75%	0.16%	0.14%	0.09%	0.03%	0.00%
Non-Youth Clients (>=65)	4.79%	1.46%	0.57%	0.38%	0.35%	0.00%	0.00%

Letter

Illustrating The Dream Of A Promising Chinese Girl[1]

[Xiong Ning (1978-2008) was a young woman in China who had dedicated her life to helping others. She died in a terrible traffic accident on 10 March, 2008 while on her way to Qinghai to help the poor people there. A letter she had written to *Nobel Peace Laureate* Prof Muhammad Yunus, explaining her dream of setting up a 'socially conscience enterprise', was found among the things she left behind. The Grameen Trust was also able to gather a photo of Xiong Ning amidst three children at the Xi'an Orphanage in Shaanxi Province. Despite a premature death, Xiong Ning would remain a source of inspiration to the young people to engage in social cause-driven economic activities. In the context of micro initiatives to address problems facing the society, we consider the letter relevant, and it is reproduced here under permission from the Grameen Trust.]

Dear Professor Muhammad Yunus

Greetings! How are you?

Firstly, please excuse me for taking the liberty to write this letter to you. My name is Xiong Ning. I am a 29-year old Chinese girl. I was born in an ordinary urban family in China. Both my parents are educated.

Since I was young, I had a dream that I will set up the same 'socially conscience enterprise' as you advocated in your book *Banker to the Poor*. While in high school and university, I continuously tried to realise my dream of setting up my own 'socially conscience enterprise' and give more people equal chances to survive and be free from poverty. Driven by my dream, I suspended pursuing a higher education, and turned down several highly admired and envied job opportunities, such as working as

[1] The letter was published in Grameen Dialogue (Issue 67/68, July 2008) – Newsletter Published by The Grameen Trust, Bangladesh: http://www.grameen-info.org/dialogue/dialogue67.68/letter1.html.

a government clerk arranged by a friend with powerful connections, or as white-collar staff in a multi-national company. Perhaps, many people may think that I'm too idealistic; but, there are so many poor people, farmers, and also those who are like me, or even less fortunate than me, who have to put in so much effort, which is unfathomable, and even give up their dignity, to have the same opportunities as the rich people and those who live in the cities.

Since learning about you and Grameen Bank through your book *Banker To The Poor*, I have been deeply attracted by your great career, works and achievements. I also have nothing but praise and admiration from the bottom of my heart for your wisdom and ability. In that book I have seen my dreams, my role model and my teacher. With your success and the success of Grameen Bank, and all that you have continuously done for the poor over the past 30 years, I have become even more determined to working to improve the living conditions of the poor and ceaselessly strive to ensure their human rights.

But so far, I have encountered many obstacles, due to, on one hand, my own personal limitations, and on the other hand, various social causes. Therefore, I would like to seek your help. I hope you can treat me as your student, and give me some advice as a dear parental advisor.

I do not know whether you have a deep understanding of China. China has a population of nearly 1.4 billion (of which 1 billion live in rural areas).

I can share with you my experience of experimenting with trying to set up 'socially conscience enterprise'. I know that to ensure the enterprise's sustainability, it is must be competitive in the market-place and be profitable, or at least break even. Staring at the fierce competition, I chose 'consciousness', meaning that I have to work much harder to understand and master the game and rules of the market, so that I can stand still in the face of stiff competition.

As a Chinese person, I love my country very much, and I will fight like a soldier to change the status of the poor people in China.

I am wondering how I can start a Grameen Bank in China under the present national conditions. How can this 'Chinese Grameen Bank' be developed, like your Grameen Bank in Bangladesh, not only as a bank, but also to care and help the poor people? It would help the poor people find dignity from their work, to participate equally in social affairs, and create their own destinies through their own efforts. I wonder if Grameen has done some projects in China. Is it possible that I can do something for Grameen Bank in China, maybe even jointly establish a Chinese Grameen Bank?

I am an ordinary person, but my innate conscience spurs me on to live for my ideal: to help the poor and the suffering people. I have no power and influence, but I have a sense of social responsibility and mission. I am not an economist, but I am always striving to end the poverty and sufferings of the poor people.

I sincerely hope to have your guidance and help. I sincerely hope that there will be a Grameen Bank in China; which will be for the poor and of the poor. All people strive for equality regardless of nationality, race, or religion. But poverty is like a tiger that is blocking the way to all hope and equality. But you and Grameen Bank have reignited the light of hope for numerous poor people, encouraged and educated many entrepreneurs who have social consciousness. You and Grameen Bank are of no national boundaries, but the wealth and hope of the whole world and all human beings. You are also the role model for my life-long learning and efforts!

Once again, please excuse me for taking your time. I look forward to hear from you!

My best wishes to you and your family.

Your New Friend

Xiong Ning

26 June, 2007

Social Enterprise Initiative

An Opportunity for Younger Generations

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THE EVOLUTION of business minds towards socially beneficial goals presents an opportunity for the world to harness: to change the lives of those least endowed in a sustainable and equitable manner and in doing so create a fairer global society for all of us to live in. As part of this global trend we are seeing a surge in 'students and young people'-pioneered business innovations. Young people are changing lives. That the young minds of our society are already turning their aspirations and endeavours to socially motivated aims and outcomes – before they have even achieved their own economic security – is truly inspiring and is something to be encouraged, supported and revered.

What might be termed the *youth component* of social business entrepreneurship is springing up all across the world, with ever increasing dynamism and impact. From the student-run textbook market in St. Andrews University funding microfinance projects in Angola, to an Italian postgraduate laying the foundations for a Malawian woodcarving cooperative, we are playing witness to a truly astounding picture of youth-driven social innovations on a global scale. But how does it work and how do these young people achieve such fantastic outcomes? The answer is simple, they try. From the initial moment of inspiration, coupled with a genuine passion, I believe that everyone has the ability to bring about

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change and a better life for those they choose to help. Social business mindset provides the avenue for their passion, now they just need to find their inspiration.

To demonstrate the process I am describing – and if I am candid, to hopefully inspire fellow youths and students to start their own social enterprises – I want to present the story of David Fauchier, his marvellous Alpacha knitwear business and how they are providing life-changing support for orphans in Peru.

Arriving in Peru as a backpacker, David's finances were stretched and his ability to help the orphans he was working with at Elim Hogares (Elim Home) was limited. As a safe haven for beaten or abused street children, Elim is a home, a school and a rehabilitation centre rolled into one. They needed paper, pens, shoes, clothes, calculators, footballs, meat, medical expenses. . . and more. And not just as a one-off, but as a sustainable flow of income in order to provide for the continuous needs of children that we recognise in our own families. Driven to help these children, the obvious solution to David was to utilise the attributes of the Peruvian Alpacha farmers and weavers of the region in order to realise the needs of the children. He took home with him twenty Peruvian Alpaca jumpers, which he sold in London and sent back the profits as support for the children. This was the start of StichAlpacha.

Starting with a stall in Portobello market (London), a simple website, one design and only a piecemeal supply chain, he partnered with a friend and started to import and sell Peruvian Alpacha jumpers, with 20% of the profits going to the Elim orphanage and the rest going into expansion. At this stage they relied mainly on word of mouth, and he highlights the importance of penetrating schools and universities, or any place where fashion was noted and discussed between friends, as being the key to dispersion of demand. They soon got their first stockist, based in Finland, who supplied a much needed liquidity boost to the business. The next innovation was to 'brand' the products with handmade tags of Egyptian linen conveying the Elim orphanage message and story. As well as providing publicity for their cause by attracting press coverage, the express social nature of their business added value to their products with consumers willing to pay extra margins in the knowledge that they are supporting a good cause.

By this time the enterprise was growing and a more formal approach to the business was needed. They sought the advice of a Swiss Alpaca expert and travelled back to Peru in order to tighten up their supply chain, incorporate their own specifications into designs (longer sleeves for example) and expand their product range. Two years after its inception, StichAplacha is now a registered company with branded products, multiple suppliers, seven stockists, a committed team of volunteers and customers across Europe (www.stitchalpaca.com).

The profits they generate have funded a knee operation for one of the boys at the orphanage, contributed to the reconstruction of one of the homes and provide towards the daily necessities of food, wages, clothes and even the university fees of two of the older children. Today Elim Hogares provides a home for twenty boys and twenty girls who have been orphaned as victims of violence and abuse, and with the help of StichAlpacha is now expanding to sixty children and is able to provide for these children more effectively across their lifetimes.

StichAlpacha was not an easy development and David stresses that it involved 'a lot of hard work and a serious time commitment'. However, for a group of young people working voluntarily, what they have achieved is substantial and very impressive. And importantly, they are not unique in this. There are now hundreds if not thousands of youth/student-run social enterprises all around the world, benefiting the lives of the least well-off in our societies. What they need is support, encouragement and that first opportunity to be inspired. In achieving this I feel that the success stories of today – top CEO's, government institutions, policy makers and corporate representatives – owe a duty to the young and future generations: to invest in them and help them change the world. This is about internships, training schemes, project funds, scholarships and innovation competitions. Those who have the means must engage with those who have the time, passion and inspiration. Otherwise we risk losing this opportunity.

It's now a widespread belief that everyone has the potential to make a difference in a meaningful way through social cause-driven micro initiatives. And it is the duty of those who are in positions of influence to allow that to happen. Not to direct the innovations of the youth, but to allow them flourish untarnished by the constraints of traditional and narrow business rationality. Hope that these sentiments do not fall upon hollow minds, but upon active hearts. □

Microfinance: An Instrument To Empower and Attain Sustainability

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IT IS IMPERATIVE for any developing country to lay special focus on 'poverty reduction' in order to bring rapid changes in its economic conditions. But, how many developing countries are laying a focus on that and how many of them are achieving this goal remains an open question. Probably the answer will be a few: one major reason could be that the countries which focus on the tool for poverty reduction at the very beginning are trying out new tools rather than making it sustainable. Thus, even though the tools start working properly towards the reduction of poverty, it cannot sustain for a long time and cannot reach the goal. Hence, in the interest of rapid economic and social development of any countries, there needs to be a paradigm shift, away from trying out new financial tools and towards the search for tools that achieve as well as, more importantly, sustain the development of the country

Obviously, an organised financial system is essentially needed for economic development. Without the development of financial system it is not possible to sustain economic growth. In addition to that, to know the impact of microcredit on economic growth of a country it needs channelling through the development of financial system. Thus to create a linkage between microfinance and economic growth, a financial system development tool is necessary.

Following economic crises since the 1990s, macroeconomic instability in developing countries started to receive increased attention. Macroeconomic stability can be maintained by sustainable real interest and inflation rate which play a significant role in development of the financial sector (see Goldfajn and Rigobon 2000). Rhyne (2001) shows that more stable economies and especially lower inflation rates attract more potential microfinance providers. According to Vander Weele and Markovich (2001), 'there are devastating effects of inflation and hyperinflation on the performance of microfinance institutions (MFIs)'.

The changing phase of microfinance is creating competition among the microfinance institutions. Thus in responses to competition, MFIs are focusing on innovation of different programmes and products. This results in motivation for poverty alleviation, job creation, microfinance institution development, financial sector development and empowerment. It is essential to have increased youth involvement in microfinance innovation programme as young people can generate new ideas and work with new ideas more comfortably.

On the issue of empowerment, it has been found that there are a range of contrasting views on the relationship between microfinance and empowerment. These views can be captured as the women empowerment paradigm, the financial self-sustainability paradigm, the poverty alleviation paradigm. Studies have shown that many leaders in microfinance programmes become complacent about adopting empowerment strategies in their institutions while the trade-off between different approaches to empowerment in microfinance is necessary. A paper from United Nations Development Fund for Women (Mayoux 2002) shows few reasons why organisation should consider adopting empowerment approaches in their organisation. Firstly, microfinance programme do not always create usual empowerment benefits, therefore empowerment should be strategically planned for in MFIs. Secondly, using empowerment approaches permits MFIs to apprehend their full ability in contributing to a number of critical dimensions of women's empowerment. Finally, practising empowerment approaches often creates compatibility with the financial sustainability of organisation.

Human capital plays an important role in microfinance development as well as in financial system development. As the Paulson (2002) study for Thailand presents, 'that regions with a higher level of education have a more developed financial system'. So, it is essential developing countries to create a healthy education system for the poor to improve the economic situation.

Development of the microfinance sector can improve the financial system of a country. Microfinance can thus be an instrument of sustainable development □

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Implementing Effective Partnerships Between MFIs and Financial Institutions:

The Case of France and Europe[1]

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L'Association pour le droit à l'initiative Èconomique (ADIE)
France

Abstract: 'Changing the mindset and strengthening the capacity of financial institutions, governments, MFIs and other stakeholders for carrying out microfinance programs through effective partnerships' – The paper's first section describes the experience of Adie in France. Created in 1988 by three volunteers with no capital, with the support of the French Association of Banks, Adie obtained an amendment to the banking law, allowing associations to borrow and on-lend. This amendment allowed Adie to develop partnerships with almost all French banks. The second section presents the experience of the two European microfinance networks and describes how microcredit was introduced in the European Commission, the European Parliament and the European Investment Bank. The third section draws lessons from these experiences and identifies remaining obstacles to the development of microcredit in Europe.

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[1] This paper was written for the 2011 Global Microcredit Summit in Valladolid, Spain from 14-17 November 2011, and is reprinted with the permission of the Microcredit Summit Campaign www.microcreditsummit.org. The author is President and Founder of ADIE, France.

Introduction

If in developing countries microcredit developed outside the banks, which had little interest in its target clientele, in Europe the organisation of the banking sector and the much stricter application of banking regulation made such a development considerably more difficult, in the face of a much smaller demand.

Moreover, the implantation of microcredit in Europe has taken much longer and its development is far from complete. In Central and Western Europe, it has been helped by the dismantling of the central command economy and its transition towards the market economy. From one day to the next, almost the entire labour force found itself unemployed and had no choice but to create an enterprise or develop some other income-generating activity. The support of aid agencies and international NGOs, which provided both the financing and technical assistance needed to create microfinance institutions out of nothing, in a rapidly changing institutional environment, facilitated the emergence of a microcredit sector. This was helped by a lower density of banks, which were, moreover, not always adapted to this type of financing.

In Western Europe, introduction of microcredit was more difficult insofar as circumstances did not make it essential. Wage-paid labour was always the rule, and the welfare state took care of those whom the market economy left behind.

In both cases the development of microcredit was only possible in the framework of a profound evolution of public opinion, to which the sector itself contributed.

In the framework of the World Bank, the author of this paper launched the first microcredit projects in Eastern Europe, particularly in the Balkans. Working as a volunteer, she applied this experience, together with that acquired previously in Africa through the Agence Française de Développement, by creating in France the Association pour le Droit à l'Initiative Economique (Adie), and by working to develop microcredit in the European Union.

1. The Development of Microcredit in France

1.1 Origins

The idea of implementing microcredit in France arose from a successful transfer of the Grameen Bank experience into Africa. In 1988, welfare payments (known as Revenu Minimum d'Insertion) had just been introduced in France, and I had the idea that one way to integrate jobless people in the economy could be the development of self-employment and creation of microenterprises. I contacted several NGOs engaged in anti-poverty work, offering to help them launch a pilot project, but none of them believed in it. The response was always the same: 'It's a good idea for poor countries, but not for a developed country such as ours'. Thus I had no choice but to set up myself, with two friends, an association with the three-fold object of:

- Financing projects of people who were jobless or on welfare and desired to create an enterprise;
- Help them to regain their autonomy and succeed in their project, by providing them business development services;
- Draw lessons from this action on a large scale to change public opinion and a regulatory framework that were adapted to an economy based on large enterprises, wage labour and the welfare state.

1.2 Results

Over 22 years Adie has made close to 100,000 loans, with a loss rate below 3%; a two-year survival rate of 68% for the enterprises created, close to the national average; and an 80% rate of integration of clients in the economy. Its network covers the entire territory of France, including overseas territories. Its active clients currently number more than 27,000 persons.

Moreover, the Association has obtained major advances in reforming the institutional framework. The principal measures are presented below:

Legislative Advances in the Field of Microcredit

- 2001: amendment of the Banking law, allowing microcredit associations to borrow and on-lend

- 2005: removal of interest rate caps on loans to individual enterprises
- 2008: extension of the authorisation for borrowing and on-lending to foundations + extension of the target group to microenterprises with less than three employees + consumer credit to persons lacking access to banks. Access to records of the Banque de France.

Legislative Advances in Regard to Microenterprises

- 2005: recognition of enterprise creation as a way to economic integration and reduction of social security charges for low-income entrepreneurs
- 2007: social shield
- 2008: creation of the status of auto-entrepreneur

As of now, we still have three major battles to win:

* <u>Access of jobless persons creating enterprises to vocational training funds</u>, which are legally available to them since 2005.

* <u>Removal of constraints applicable to trades not requiring lengthy training</u>. Regulation in France is based on sector of activity. Whether you want to be an auto mechanic or bicycle repairman, you need three years of training and a diploma in order to carry on your trade. Following three years of unsuccessful efforts to change the law, we have appealed to the 'Conseil d'Etat', on the basis of non-respect of the fundamental right to undertake economic activity. Our appeal has been transmitted to the 'Conseil Constitutionnel'. Given its negative decision, it will be submitted again to the 'Conseil d'Etat'.

* <u>Establishment of a system for providing equity capital to jobseekers creating enterprises</u>. This is needed because, contrary to the situation in countries of the South, they do not develop informal income generating activities, but registered enterprises in an environment that is infinitely more complex. The problem is that all the public facilities that used to provide equity or quasi-equity capital to young people, low-income districts or welfare recipients have been recently abolished, *due to fiscal deficit.*

2. Development of Microcredit in Europe

2.1 Origins

If Adie was the first institution to transfer the new approach to microcredit to Europe, this was not a new idea there. Small-scale informal credit already existed in the Middle Ages. The Mounts of Piety were created in Italy in the sixteenth century to serve the poor, at the same time as credit for large-scale commerce was being developed. In the nineteenth century, savings and loan cooperatives established by Raiffeisen in Germany offered peasants an alternative to usury. These gave rise to mutualist banks in most European countries.

2.2 Diversity of Institutional Models

The economic evolution linked to the industrial revolution, rural-urban migration, and the development of wage-paid labour, was accompanied by the growth of banks serving more accessible clients and using procedures based less on client contact than on statistical evaluation. This development, *as well as the implementation of the banking regulations,* left behind those who could only borrow small amounts of money and lacked collateral.

At the end of the twentieth century, the idea that the poor also needed access to credit reappeared through the inspiration, notably, of Bangladesh's Grameen Bank. Long-standing institutions such as savings banks or Credit Unions began increasingly to provide microcredit to small enterprises. Some commercial banks opened special windows. NGOs created non-bank MFIs.

Examples of Institutions Developing Microcredit

- Partnership between Government, public bank, and MFIs, acting as agents, in Germany
- Savings banks in Spain, before the crisis
- Older models of credit unions: Ireland, Poland, Bulgaria, Romania

2.3 Birth of the MFC/EMN Networks

Starting in 1990, the collapse of the central command economy in Central and Eastern Europe brought about massive unemployment in the entire region. The major international aid agencies, the World Bank, USAID and international NGOs looked towards introducing microcredit in the post-communist countries. Parallel to the financial flows, the new microfinance institutions, which had no idea how to proceed, needed training and technical assistance. It was in 1996 that three practitioners of microcredit, Rosalind Copisarow, Ken Van Der Weld and myself established the Microfinance Centre for Central and Eastern Europe and the MIS Countries (MFC), which was installed in Warsaw to provide all the region's microfinance institutions with the services of training, technical assistance and research that they needed.

Since the MFC was scarcely interested in Western Europe, where microcredit was very little developed, in 2003 La Nef, Evers & Jung and Adie created the European Microfinance Network (EMN), covering the 21 member countries with more or less the same objectives as the MFC. When the European Union took in eight Eastern European countries in 2004, the geographical coverage of the two networks overlapped in part, and the division of labour became more difficult. The EMN plays more of a role of representation before the European Commission, while the MFC remains largely a centre of research and services. Having been the first president of both networks, I have been able to strengthen relations with the European Commission, which has made it possible to advance the cause of microcredit in the Union.

2.4 Evolution of European Institutions

Due to an intensive advocacy in Brussels, the European institutions have become progressively convinced of the suitability and importance of microcredit in industrialised countries. The major steps are listed below:

European Commission

- DG Empl finances Adie's Pilot Phase (1989) as well as business development services for micro-entrepreneurs.
- DG Enterprises organises the first European Conference on Microcredit (2003) as well as expert groups on market shortcomings and regulation of microcredit.
- Ecfin and DG Enterprises establish a system of guarantees for microcredit. It finances studies on inclusion of jobless people in the economy through creation of enterprises.

- Following lengthy discussion among several Directorates, organised by DG Regio, in 2007 the Commission publishes the 'Initiative for the Development of Microcredit in favour of Growth and Employment', promoting four strands of activity: (i) improvement of the legal and institutional environment of microcredit in the Member States; (ii) further improvement of the climate in favour of entrepreneurship; (iii) promoting the spread of best practices, and (iv) providing additional capital for new and non-bank MFIs.

At this point, the last two strands have been implemented:

A technical assistance facility called 'Jasmine' provides technical assistance to the European MFIs and a financial facility called the European Microfinance Progress Facility (EMPF) provides them with equity and loan capital. Now the main challenge is to improve the legal environment of microcredit and microenterprises, which is the responsibility of the Member States. While it has significantly changed in some countries, in many others the banks' monopoly, the cap on the interest rates, the difficulty of bridging the gap between self-employment and the welfare system, the weight of social charges and the overall complexity of the legal system for microenterprises, hamper the development of microcredit and microenterprises.

The European Parliament

In recent years, expansion of microcredit has been supported by the EU Parliament, which has organised meetings and financed pilot projects.

The European Investment Bank

The EIB, mainly oriented towards large investments, has revised its policy and now participates in financing MFIs. The European Investment Fund, a member of the group, is in charge of managing the guarantee fund as well as the EMPF.

3. Lessons from Experience and Future Prospects

3.1 What Have We Learned in 20 Years?

During the last 20 years, a number of lessons have been learned.

- The first lesson is that entrepreneurship never dies and that microcredit is also relevant in developed countries. A few examples show it: in the transition countries, where economic initiative was prohibited for 40 years, the collapse of the public sector made people entrepreneurs, from one day to the next; in France, adoption of a law simplifying self-employment created 700,000 enterprises in two years. Last but not least, default rates in Europe are low, as is the case of the countries of the South.

- The second lesson is that the potential market is large but not immediately accessible. Besides the microenterprises, which represent 92% of the total number of existing enterprises, there is a pool of activity and employment at the base of the pyramid.
- The total population below the poverty line amounts to about 80 million, or 16% of the European population. Among the active population are registered jobseekers, but also those affected by hidden unemployment, especially in rural areas, low-income workers, and welfare recipients. A part of them come from the most vulnerable groups: single-parent families, the elderly, immigrants, Romas, etc. In order to be operational, the microcredit market requires social marketing. In the end it is supply that creates demand.
- The third lesson is that economic models are very different as between Eastern and Western Europe.

A comparison between France and Romania shows a higher social performance in France and a better financial performance in Romania. These characteristics are related among other factors to:

- the different target groups: vulnerable people creating their own job in France; existing small and microenterprises in Romania. While in France the average loan amount corresponds to 10% of per capita GDP, the ratio in Romania is 70%;
- the density and role of banks in the two regions;
- higher costs, and a more developed welfare system in Western Europe;
- higher interest rate in Romania versus France.

In both cases, however, microcredit creates the market's cheapest jobs, generating savings for the government budget as well as high economic and social returns.

3.2 Prospects for Development

Looking beyond the impact of the current economic crisis – decline of demand and increase in risk, which has slowed down microlending – the development of microcredit seems inevitable in the medium term. The main reasons are the following:

- Deindustrialisation, the growth of services and new technologies favour the creation of small production units, possibly linked in networks;
- Ageing of the population and inevitable reform of the welfare state require more active employment policies;
- Unemployment, poverty, and fiscal deficits require a policy of trust in the citizenry, while making it responsible; and
- Globalisation, irreversible as it is, must also encompass the base of the economic pyramid and must be complemented by local development.

For all these reasons, microcredit is becoming the financial instrument of the post-industrial period.

3.3 Actions to Be Taken

Because the development of microcredit has economic, social and financial implications and effects, it requires the collaboration of European institutions, Member State governments, the regions and the banks.

Several actions should be undertaken in this respect:

Regarding the Institutional Framework

The preparation by the European Commission (EC) of the Single Market Act, to be published at the end of the year, provides an opportunity to improve the legal and institutional framework of microcredit.

- Under the patronage of the Polish Presidency and the European Parliament, DG Markt can encourage the Member State financial regulatory authorities to improve the regulatory framework of microfinance by organising a policy forum on this subject.
- DG Empl, Dg Enterprises and DG Markt can develop exchanges among European countries in regard to removing legal and

regulatory obstacles to the development of self-employment and microenterprises, as well as economic inclusion policies based on self-employment.

In Regard to Financing

- With the support of the EC, the microfinance networks can develop communication among European Member States and citizens on the impact of microcredit and use of the structural funds to finance business development services and microcredit;
- New partnerships should be developed among banks, the European Investment Fund and MFIs in order to launch new microcredit programmes along the lines of MicroStart in Belgium.

Regarding Technical Assistance

- The challenge is to extend best practices with the support of Jasmine and greater collaboration between the two microfinance networks.

4. Conclusions

Microcredit can facilitate the current economic evolution in its capacity as a:

- Tool serving the development of microenterprises and employment of vulnerable population groups.
- Instrument of economic democratisation, allowing citizens to take charge of their destiny.
- Source of social links contributing to Europe's social cohesion.
- Instrument of trust in the future, contributing to Europe's dynamism in the face of globalisation. □

To Get Out Of Poverty

A Safer Way
The Jamii Bora Way[1]

[Ingrid Munro, microfinance pioneer in Africa, spoke in a plenary and workshop session at the Africa and Middle East Regional Microcredit Summit, held 7-8 April 2010, in Nairobi, Kenya. We profoundly value her role, via the Jamii Bora movement, verily dedicated to difficult urban slums and the poorest in Kenya while helping beggars to pull themselves out of poverty, and thieves, thugs, and gangsters give up crime to better live a life with dignity. On the basis of Ingrid Munro's illustrations, conversations, articulated proceedings, audios, etc, collected from the Microcredit Summit Campaign, we have compiled this tale on Ingrid Munro's Jamii Bora in order to match wider aspirations of The Global Microcredit Summit 2011. And with their permission, it is now presented to the readers of JSB.]

UNIQUE among microfinance institutions, Jamii Bora transforms former beggars to act as promoters, advocates who explain to the poorest of the poor – *If I could do it, you can do it*. You can also get out of poverty.

Jamii Bora had its origin in Kenya in 1999 as a microcredit movement. Jamii Bora means 'good families' in Kiswahili. Ingrid Munro in partnership with 50 women beggars started the movement. Since its creation, the Jamii Bora Trust has grown rapidly and now has over 300,000 members, 106 branches and over 170 outreach centres spread throughout Kenya.

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[1] Jamii Bora's founder Ingrid Munro spoke in a plenary session: 'Breakthroughs in Using Micro-saving and Microcredit to Better End Poverty: A Vision for the Future of Microfinance in Africa and the Middle East', and a workshop session: 'Microfinance for the Urban Poor: Building Better Lives and Sustainable Urban Areas'. Summary of both sessions can be read and the audio of each can be listened on website http://www.microcreditsummit.org/.

The Trust also operates a Health and Life Benefit Programme, counselling for street beggars, rehabilitation for alcoholics, a Business Academy and staff training, and a housing and rural water programme. Jamii Bora also provides a home and education to over 90 orphans and street children at its facility in the outskirts of Nairobi.

At the Summit 2011 held in Nairobi, Ingrid Munro gave some insights into Jamii Bora's efforts to help beggars pull themselves out of poverty. Jamii Bora always sticks to its rule that its members must save first. Even if they are beggars, they must put aside one or two shillings, and Jamii Bora will keep that money safe.

The lifestyle of beggars typically encourages them to spend any money they receive right away on food for themselves and their families so that no one can steal it. Culturally, beggars are not used to saving, and Jamii Bora has to teach the beggars it serves how to save before they can borrow. So, it insists you can borrow twice as much as you have saved, but you have to save first. And that has been a blessing actually for all in Jamii Bora that has taught everybody how to handle it.

Jamii Bora started with fifty beggars. They were from the towns, from the city. And they were the poorest of the poor in the city, the ones who didn't even have a room in a slum. And it has now worked with all the slums in all towns in Kenya. The slums are not worthy settlements for human beings. And it's not a place where any mother wants to raise her family.

Ms Munro explained her experience that slum people are hard-working, God-fearing, good mothers and fathers, and their kids are just as good as your/our kids. But they live in a very bad environment. And, the slum poor and Jamii Bora stood up for a fight – to build a town, *a new town for poor people*. To quote her, 'We went to court. And we were taken to court. That was a shock, because all the rich were fighting us. We won the case. And they took us to high court a month later. We were another year in the high court, and we won that case as well because we were right. Poor people also have the right to live in a better environment.

'Now we are building a new town. How? Can poor people do this? We say yes. They're making their own building materials, their own walls, their own tiles for the roofs, their own windows, and their own doors. They are producing everything that you can produce and it's done by the poor themselves for better housing. And this housing is good housing, not petty iron sheet shacks. It's real housing. And it's at a fraction of the cost when the rich are building. This is now becoming one of the most famous towns in Africa. And it was started with a dream of the poorest of the poor. We can also get out of the slums. We need to get rid of the slums. It's not right that children should grow up in such environments.

'And Jamii Bora is showing that the poor can do it themselves if the government cannot do it, if UN-HABITAT cannot do it, if all the other fancy people in the world cannot do it, its members can do it and they are doing it. The housing is a very important part of getting out of poverty. It says, once you start with your little business, you get a better business and another little better business. Now, you want to have a better house for your children to grow up in. They can choose between five year loans, ten year loans, or twenty year loans. Most of them choose the twenty year loans because it's a smaller cost every month.'

Ms Munro says they actually finance a lot of upgrading in the slums. 'First of all, we help people set up their businesses so that they earn better money. And many of them apply for loans to make their house better in the slum. With loans they upgrade it themselves. We can give the loan, and the improvement gives them a better life, but they will not be sure whether they can keep that house or not. But they still think it's worth it.'

In response to a question from the moderator – *slums being the centres of crime in many towns across Africa* – how can microfinance interventions mitigate such risks in product delivery? Ms Munro responded, 'In Jamii Bora, we have decided to give the criminals a better chance so as to change them. And they change if they have another chance – to earn income through Jamii Bora's microloans. So, in my view, and I think we have proven it in Jamii Bora, microfinance, if you handle it right, is also a way to get young people out of crime.'

At this point in the conversation, Ms Ingrid Munro took the opportunity of introducing Wilson Maina, a man who completely turned his life around when he became a member of Jamii Bora. Ms Munro explained, 'Wilson was a thief, a gangster. He was actually a very dangerous gangster, even though he looks so nice now when you see him. And when we had existed for four or five months, our branch manager in Mathare Valley slum came to me and said, We have accepted Wilson as a member, because I want to see him get out of that crime. And all the women came to me and said, Are you crazy? Don't you know that he's a thief? He's going to steal from us! Eleven years have gone by, now look at him today.'

Wilson is now an active promoter of Jamii Bora movement. He has convinced so many criminals to leave crime, and they were criminals for one reason only, because of poverty. But they have seen another way now, to get out of poverty – a safer way. Now, he's a good husband, a good father, and he's a fantastic member of Jamii Bora, and the job he has done to convince the desperate that they can get out of desperation is worthy of huge applause. Wilson Maina walked up to the microphone to share his story:

> I am proud to say Karibu ni Kenya to all of you. I come from Asram known as Mathare. And life there is difficult, and that is why I ended up being a thug. I used to mug people and snatch peoples' handbags until I joined Jamii Bora. I joined Jamii Bora eleven good years ago now. And my first loan, they gave me 2,000 shillings. Today I have borrowed eighteen times and I'm a landlord. I'm a proud owner of a big house in Kaputiei town, with two bedrooms, a bicycle room, a kitchen, a small shop, and a garden. Thank you very much.

Ms Munro illustrated the origin of Jamii Bora's highly effective life insurance model and health insurance models. 'One year after we launched, our first member died. We couldn't expect her or anyone else to repay her loan which was approximately US $100. That's what inspired us to start our life insurance programme. Every member in Jamii Bora has life insurance, and the life insurance will pay whatever is left on their loan if they pass away, and it will double their savings, which also encourages them to save.'

Jamii Bora's health insurance programme is funded and managed entirely by its members. Members pay about US$12 per year for a family of five, and if they are more than five they have to add an extra two dollars per extra family member. It allows the members to pay for the insurance in small increments over the course of the year if they cannot pay it all upfront. This health insurance programme has already saved so many lives, and when this has saved the life of one mother, it has also saved the lives of her children who will not have to become street beggars again.' The health insurance it provides for children is just as important as the insurance it provides for the member themselves. Now it is one of the biggest health insurers in Kenya.

'Most of you at the Summit are involved in microfinance. From Jamii Bora I urge you not to be afraid of the urban poor. They are capable, industrious, hard-working, and they want a better life for their kids. Don't start by working only in the rural areas because it's easier. Don't be afraid of going into the worst slums in your countries. I say they're capable, hard-working, industrious people who want their kids to grow up in a better life. And we think that they have the right to have their kids grow up in a better life.'

Ms Ingrid Munro invited Joyce Wairimo, one of Jamii Bora's clients to share her success story with the audience at the Summit. Ms Wairimo explained, 'She was a small farmer in Molo, in the central part of Kenya, but fled to Nairobi with her children in 1992 when war broke out, and moved into a household of two families with fifteen children and only one room. I started washing clothes to earn a living for my family. In 2000, a friend told me about Jamii Bora, which changed my life. As a member of Jamii Bora, I saved 50 shillings per week for one and a half years, a total of 3,500 shillings. Then I was able to take out a loan of 7,000 shillings for vehicles, and now I am a millionaire – own a small restaurant, seven plots of land, and two vehicles. I now have 62 employees and I am a millionaire.'

Mr Sam Daley-Harris elucidates here the redemptive dimension of microfinance which he gathered from the actions of Ingrid Munro's Jamii Bora.[2]

'After the post election violence in Kenya, Jamii Bora received funds to rebuild one of the markets that had been destroyed in the rioting. They decided they had to find the rioters who burned down the market and engage them in rebuilding it.

'I don't know of any microfinance organisation in the world that, if given funds to rebuild a market destroyed in rioting, would say "We have to find the rioters and engage them in rebuilding it." And if they said it, I don't think they could find them. And if they found them, I don't think they could convince the rioters to help rebuild what they had destroyed.

'But Jamii Bora's staff are all former members of the programme, people who were former slum-dwellers, some of them former beggars, prostitutes, and thieves before they joined the programme, so they are close to the ground.

'The leader of the gang that destroyed the market was known as The General. Jamii Bora staff talked with him about helping rebuild what

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[2] Sam Daley-Harris' speech, title – 'Purpose, Poverty, Pitfall and Redemption', delivered at TEDx NJ Libraries in Princeton, NJ, USA on 7th May 2010.

they had destroyed. When the General first met Ingrid he told her he was very upset at her staff when they first talked with him because they didn't realise how dangerous he was.

'But they convinced the General and his gang to help rebuild the market. They paid the gang to guard the materials at night and paid them to help rebuild with others during the day.

'After the market was rebuilt they engaged the General and some of the gang in microfinance. The General created a business that uses sheet metal to build cases that children use to keep their things in when they go to simple boarding schools.

'He came to Ingrid last year and told her that he hadn't gone to his home village for 13 years because his mother was so ashamed of him. But he had just gone home and his mother cried for three days because she was so happy about how he had turned his life around.'

Jamii Bora is now everywhere in Kenya to transform lives. 'To Get Out of Poverty' is The Jamii Bora Way - A Safer Way! □

BRAC Microfinance Model

Millennium Development Goals (MDGs)

[Sir Fazle Hasan Abed, better known in the microfinance field for his lifelong commitment to serving the poor, spoke in a plenary session at the Africa and Middle East Regional Microcredit Summit, held 7-8 April 2010, in Nairobi, Kenya. We profoundly value his role for launching the BRAC rural development project in difficult circumstances arising out of devastations caused in southern coastal areas by terrible tidal-bore on 12 November 1970, and massive human dislocations and material damages caused during the nine-month long bloody 'war of independence' in 1971, while assisting the rural people to improve their livelihoods. On the basis of Sir Abed's presentation, conversations, etc, collected from the Microcredit Summit Campaign's Nairobi Summit proceedings, we have compiled a brief on Sir Fazle Abed's BRAC in order to match wider aspirations of The Global Microcredit Summit 2011. And it is now presented to readers of JSB.]

BANGLADESH continues to make good progress in reducing poverty. We were greatly heartened by the news that the proportion of people living in poverty had gone down to 30%, but we were also sobered by the thought that millions more continue to live dehumanised lives and that we must work even faster to bring their condition to an end. On this 40th birthday of Bangladesh, we must renew our promise to eradicate poverty from this land forever.

Sir Fazle Hasan Abed Founder and Chairperson of BRAC in 2010 Report

Sir Fazle Abed, founder of BRAC in Bangladesh, was knighted last year by HM Queen Elizabeth II for his lifelong work in ending poverty. At the Microcredit Summit 2010 held in Nairobi, Kenya, he explained the impact of some of the multi-dimensional large-scale poverty reduction programme that BRAC has led in Bangladesh over the past 38 years http://www.microcreditsummit.org/: Summary of the Plenary Session..

'In 1972, when I started, it was a very difficult time for Bangladesh.

Almost 78% of Bangladesh's people were living below the poverty line, less than 50% of the children were going to school, and the country's literacy rate was less than 25%. We recognised that it was not just a lack of income and employment that led to poverty, but if children did not attend school, their generation was not going to move out of poverty either. So we started focusing on primary education. As a result of that programme, BRAC now runs 50,000 primary schools providing education to 1.5 million children in Bangladesh. We also spent the entire decade of the 1980s working to reduce child mortality through oral rehydration therapy. And in partnership with the government, we were able to achieve universal child immunisation by the year 1990.'

BRAC does not wait for employment opportunities to come along for the poor – BRAC creates them. As an organisation, BRAC provides not just money for credit, but also provides human development training, so that people can assert their rights in their own locality. For example, in the early 1980s BRAC launched a chain of retail stores called 'Aarong' to provide a market for rural and urban rural producers who had no outlets to sell their crafts. There are now 68,000 women who produce and sell their products through 'Aarong'. BRAC also planted 25 million mulberry trees which bear the leaves that silkworms eat, creating 13,000 jobs for poor women. In response to complaints from BRAC's agricultural borrowers about the poor quality of the seeds they were planting, it has become the largest producer of high quality seeds in Bangladesh. And finally, to assist rural borrowers who faced challenges selling small quantities of milk in rural markets, it set up a milk plant that produces 200,000 litres of milk per day for broader distribution, doubling the income of our rural producers.

BRAC has also worked closely with the government of Bangladesh on a number of large-scale social programmes that has reached over one million of the ultra-poor, providing them with asset building services, supplies and training, and educational and healthcare services to help them move out of poverty. On the topic of the ultra-poor Sir Abed concluded, 'Microfinance alone is not the appropriate way to pull the poorest out of extreme poverty. In addition to microfinance, the poorest need government support, particularly safety net services such as those provided by the government of Bangladesh in partnership with BRAC.'

* * *

World Class Microfinance Models provide one of the most exciting benchmarks for integrated approaches to Millennium Development Goals

(MDGs). For example, this is how BRAC's Annual Report of 2010[1] presents both Bangladesh's progress towards millennium goals and helps its stakeholders appraise how integrally its programmes are directed.

Sir Fazle Hasan Abed states in BRAC Annual Report 2010: 'The global financial crisis had minimal impact on our microfinance programme. But our borrowers were left struggling with larger bills as food prices continued to climb. We noted the decline in loan repayment rates – possibly as borrowers spent more meeting basic needs rather than building up assets or embarking upon an income-generating activity.

'The MDGs continue to guide our work. By most counts, Bangladesh is on the way to reaching the MDGs. We need to work harder to bring every child to school and, once there, ensure that the child stays long enough to complete primary schooling. We also need to do much more to prevent mothers from dying in childbirth. As the year drew to a close, we received encouraging news that fewer mothers were dying giving birth to their children. BRAC health professionals and Community Health Promoters, working in close partnership with households, communities and functionaries in public facilities, were able to make a significant dent in reducing maternal deaths. Even if Bangladesh achieves the MDG target (maternal mortality rate of 144 per 100,000 live births), the number will still be 50 times higher than it is in Norway! In order to address this inequity, we need to create and expand the human infrastructure where it is most needed – close to the home – where the vast majority of mothers give birth. By making trained midwives available and accessible to surrounding communities, we can make births safer for mothers. BRAC University's School of Public Health is planning midwifery education to create this category of medical professionals.

'Key MDG challenges remain in the areas of halving hunger and attaining gender equality. We must do all that we can to improve the production and distribution of food, to keep prices low so that the poor are not disproportionately affected, and we must harness the energy, strength and will of the State, the private and nongovernmental sector to prevent all forms of gender-based violence. Achieving these goals will mean that there must be concerted and sustained action at every level and each partner must play its role effectively. Men and women must join hands to bring about this change in our homes and communities.'

Bangladesh's progress and achievements, BRAC being an important contributorin response to MDGs, are presented here.

[1] http://www.brac.net/sites/default/files/BRAC-Annual-Report-2010.pdf

Goal 1: Eradicate Extreme Poverty and Hunger

Target: 29% Population below Poverty Line
Progress: On Track
Current Status: 30%
Population below Poverty Line

BRAC Programmes Involved: Agriculture & Food Security; Community Empowerment; Microfinance; Targeting the Ultra Poor; Gender Justice & Diversity; Advocacy for Social Change

Closing the Gap:

- Create self-employment through our microfinance programme;
- Maximise the role of farmers in the implementation of agricultural practices and the use of new technologies; and
- Provide grants of small assets to carefully selected ultra-poor households.

Goal 2: Achieve Universal Primary Education

Target: 100% Net Enrolment in Primary Schools – 100% Primary Students Reach Grade 5
Current Status: 92% Net Enrolment in Primary Schools – 55% Primary Students Reach Grade 5

BRAC Programmes Involved: Education

Closing the Gap:

- Develop the professional capacity of teachers from Government primary schools, increase community and parent participation in children's education; and
- A total of 252,040 students of BRAC primary Schools participated in the grade 5 completion test of 2009 and 97.4% of them passed the exam against 89% of national pass rate.

Goal 3: Promote Gender Equality and Empower Women

Target: 1% Gender Parity in Secondary Schools – 50% Women in Wage Employment
Current Status: 1.2% Gender Parity in Secondary Schools – 29% Women in Wage Employment

BRAC Programmes Involved: Education; Community Empowerment; Human Rights & Legal Aid Services; Gender Justice & Diversity; Microfinance; Advocacy for Social Change

Closing the Gap:

- Empowering adolescent girls through our specially designed microfinance scheme and life skills training clubs; and
- Emphasising issues such as women's right to property, gender culture change at household levels and strengthening systems that address gender based violence and abuse.

Goal: 4 Reduce Child Mortality

Target: 31 (per 1000 live births) Infant Mortality
Current Status: 41 (per 1000 live births) infant mortality

BRAC Programmes Involved: Health; Water, Sanitation & Hygiene

Closing the Gap:

- Our Shasthya Shebikas, Shasthya Kormis, new-born health workers and skilled birth attendants all work together to deliver child immunisation and essential health care services to the community;
- Our birthing huts provide clean and private birthing places for slum women; and
- Developing behaviour change communication tools to address issues such as health and hygiene practices.

Goal 5: Improve Mental Health

Target: Maternal Mortality 144 (per 100,000 births); Contraceptive Prevalence 75% per couple
Current Status: Maternal Mortality 348 (per 100,000 births) – Contraceptive Prevalence 60% per couple

BRAC Programmes Involved: Health; Advocacy for Social Change

Closing the Gap:

- We are working with the Government and partners to scale-up our maternal, neonatal and child health programmes to maximise coverage of regions with the worst mortality records;
- Our health centres have been upgraded to offer emergency caesarean sections, new-born care and services like electrocardiograms and ultra-sonograms; and
- Preventive and curative practices are promoted through targeted household visits and engaging local communities.

Goal 6: Combat HIV/AIDS, Malaria and Other Diseases

Target: Detection of TB Cases – 90% Use of Treated; Malaria Nets 90% hotspots

Current Status: Detection of TB Cases 70% [2009] Use of treated Malaria Nets 81% hotspots [2009]

BRAC Programmes Involved: Health; Education; Advocacy for Social Change

Closing the Gap:

- TB treatment success in 2010 in BRAC covered areas was higher (almost 93%) compared to the national average (almost 85%); and
- Our TB-HIV collaborative project also offers HIV screening tests for TB patients.

Goal 7: Ensure Environmental Sustainability

Target: Use of Safe Drinking Water 89%; Use of Improved Sanitation Facility 70%

Current Status: Use of safe drinking water 86% [2009]; Use of improved sanitation facility 54% [2009]

BRAC Programmes Involved: Disaster, Environment and Climate Change; Water, Sanitation & Hygiene

Closing the Gap:

- Priority is given to the arsenic affected areas and saline prone areas to increase access to safe drinking water;
- Awareness raising sessions regarding water, sanitation and hygiene practices for different target audiences; and
- Imported two desalination plants from China to help support the availability of clean drinking water amongst affected people in disaster prone areas.

Goal 8: Develop Global Partnership for Development

BRAC Programmes involved: International Programmes; Training Division; Research & Evaluation Division; Advocacy for Social Change

Closing the Gap:

- Negotiations are underway between BRAC and key development partners to enter into a Strategic Partnership Arrangement, which will result in greater flexibility in resource allocation for our development work; and
- Collaborative efforts with international organisations in the areas of research, training and impact monitoring. □

Mapping Future Capitalism And Norman Macrae Foundation's Invitation

CHRIS MACRAE[1]
Co-author of The 1984-2024 Report
Washington, DC, USA

10 Places to sustain 'future capitalism' networks, if direct knowledge exchanges with Bangladesh become difficult.

As someone whose father's last wish was that Bangladesh become as central to worldwide knowledge trades in 2010s as Japan in the 1960s www.considerbangladesh.com, the need to contribute this article is frustrating. However, the reasoning for celebrating action learning networks in Bangladesh was to go and see 40 years of civil society and global village grassroots networking at its best; and at the time of writing (October 2011) the prime minister of that country is not serious about any such entrepreneurial revolution. Indeed, local papers in Dhaka have announced a law regulating social business being in the works.

I am reminded of the time when Norman Macrae's journalism was banned from India by Indira Gandhi and trust that a love of entrepreneurial freedom is yet again only a temporary exclusion from a region racing to be epicentral to Asia Pacific worldwide century (see mid 1970s articles on that in *The Economist* – one of the reasons why Norman (my father)'s retirement from weekly microeconomics journalism was honoured with the (Japan) Imperial Family's Order of the Rising Sun with gold bars.

In nominating a league table of 10 places as of 2011, I am delighted

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to receive nominations of how these change in a race to be the places where millennium goal knowledge is most freely distributed, mediated by youth as well as most interactively invested. Anyway, here's a recommended future capitalism map for 2011:

Boston	Paris	Kyushu Japan
Princeton	Glasgow	China Portal 1
Atlanta-Austin	Wiesbaden	China Portal 2
Glendale-Santa Clara		

USA Tour of Future Capitals 2011

BOSTON

Boston is the residential home of Grameen America. It is where tests of Grameen Bank in America are coordinated, where most Grameen partnerships with corporate healthcare are made because of healthcare conferencing events like the annual World Health Care Congress, and where liason with other major future capitalism partnerships in the Americas has often been led (eg Carlos Slim Mexico, WholePlanet-Foundation, The GreenChildren). Grameen America is only ten miles or so away from MIT – the Number 1 Job Creating Paradigm in education today – if it was compared with nations, its alumni would rank 11th in terms of total job creation, and co-creation of wealth and health.

PRINCETON

Princeton is the residential region of Sam Daley-Harris. Since the day in the late 1970s that Sam bumped in The Hunger Project, he has founded 3 amazing networks: Results www.results.org whose 30 years of work was chronicled in *Journal of Social Business*, Inaugural Issue (January 2011). Microcredit Summit www.microcreditsummit.org whose 15th annual event he chairs in Spain 2011 (14-17 November) before passing the chair to Larry Reed. And his new venture for helping society and youth regenerate the community-grounded world: The Center for Citizen Empowerment and Transformation.

Princeton is also the home university of *Nobel Economics Laureate*

Paul Krugman – the only top rank US economist to have publicly provided advice on how to end banking systems that are too big to fail before the 2009 inauguration of President Obama.

ATLANTA-AUSTIN

Atlanta, Georgia, is the base for the most exciting job creation event of 2011– 1,200 youth brainstorm across the State's 45 colleges with support of principals and leading entrepreneurs in US industry. This experiment builds on 11 years of developing a shared entrepreneurial programme amongst over 100 of the poorest colleges in USA. There is every reason to hope that the 1,200 youth job-creation brainstorm will go national to every state in 2012. http://www.erworld.tv/id103.html.

Austin, Texas is the home of the leading US corporate brand to explicitly integrate microcredit into its annual marketing programmes. For several weeks a year, Wholefoods superstores across USA handout leaflets on the world's most sustainable microcredits, and fundraise for www.wholeplanetfoundation.org. This adds about 10 local microcredits each year in places around the world that Wholefoods already does business in.

GLENDALE-SANTA CLARA

Glendale is today's knowledge epicentre for Craig Barrett, former chairman of Intel. For example, he is developing a course in ethical leadership – systemically the Number 1 missing curriculum in American MBA. Before leaving full time duties at Intel, Craig ensured that the Number 1 US corporate co-branding with Grameen would be Intel – see www.grameenintel.com for the range of extraordinary experiments in E-Agri and E-Health.

European Tour of Future Capitals 2011

PARIS

The story goes that Future Capitalism – mega-partnerships with social business modelled microcredits – was born in a Paris lunch at HEC business school with Dr M Yunus and Danone, Credit Agricole, and the

Job Creation sectors of the government of France, with others like Veolia joining in soon thereafter. Actually two alumni of HEC had been working on the idea of forming the world's Number 1 partnerships in sustainability for almost 20 years. So it is little wonder that Paris is the Social Business capital of the Western world as well as the origin of 'entrepreneur'.

GLASGOW

The system design pursuit of advancing the next generation's lot is widely co-credit with France's auld ally Scotland. It is Glasgow that is the home of Adam Smith scholars, and it was a Scot who founded *The Economist* in 1843 to end hunger and to end capital punishment by London's empire of youth. It is therefore a privilege for Scotland to be the first country with two formal university partnerships with Dr Yunus. As time goes by, we are confident that the Paris-Glaswegian axis can yet again help London rediscover pro-youth economics as committed to on Interdependence Day (4th July 2010 University of Glasgow with Yunus partners from over a dozen countries) at The Centre for Development (CfD)'s Global Assembly conferencing with Prof Yunus.

WIESBADEN

This is the home of Grameen Creative Lab that has been in charge of hosting the first three global social business summits (GSBS) and cheerleading German corporations that wanted to partner with Yunus and Bangladesh such as the world's largest chemicals company – BASF and the world's second largest online retailer Otto.

Locations of GSBS 1-3

- two out of Wolfsburg the German city where the 15 year old Muhammad Yunus and over a dozen boy scouts bought several Volkswagen on their cross-continents trip back to Bangladesh – the subject of a wonderfully creative book published in Bangladesh 2011;
- one this year out of Vienna.

ASIAN Tour of Future Capitals 2011

Kyushu in Japan is the home of Grameen Technology Lab and an annual Asian dialogue on Social Business. The Yunus Centre researching on the prospect of social businesses in Thailand is located at the Asian Institute of Technology (AIT) known as Yunus Centre at AIT.

Wise it is to stop the world tour here, because some of the technology experiments I have heard about go to the heart of empowering villages and whole truth e-government. I do not feel that I personally understand the current situation in Bangladesh to publish what I like best, biased as I may be by over 30 years of personally researching Asian societies and my father's own first visit to modern day Bangladesh while a teenager serving in the Royal Air Force in World War II. Additional reference 11th October 2011 http://www.washingtonpost.com/world/an-interview-with-bangladesh-pm-sheikh-hasina/2011/10/10/gIQAXAQRcL_story.html

I. Is it Possible to Evolve Microeconomics Summit?

If Nobel Laureate Friedrich (Von) Hayek had been alive, he would have been one of the most energetic celebrators of 1997's Microcredit Summit. If we compare economics with a game of chess, then every move practised by the grassroots action networks of Bangladesh was brilliant assuming the world wants to map out an economics that invests in the productivity of all of our next generations. This values the evolution of sustainable communities (also known as global village networking economics) – how to win out over the fatal conceits that Von Hayek's life's work demonstrated to be the end games of macroeconomics with its dismal bubbles, and collapsing civilisations.

How could Microeconomics Summit (MES) be designed so that the 2010s can yet be youth's most productive decade? Will we empower millennium goals to be voted for and co-produced by the net generation in a way that integrates every locality into a multi-win globalisation? For example, is that the pathway that 2011's Arab Spring has opened out or will we fail to celebrate this once in a lifetime chance to redesign nations to be sustainable because they sustain youth's optimal productive connections?

1. We would need to design 24/7 MES to be the Number One social media interface of youth's lives and times.

2. We would need to identify the greatest investors in youth's 2010s bringing not just money but the greatest technology advances to private and public sector partnerships mediated by youth – help test this at www.yclub100.com.

3. We would need to have action learnt the correct moves of the original Bangladeshi microfinance networks before we extended the human rights of savings and loans to free every other life-critical service market round the value multipliers the poorest and most underemployed wanted to communally exchange. Will good news journalists help search out collaborations with all who wish to use the 1,000 times greater technologies than when man raced to the moon in the 1960s to stage the poverty museum human race of the 2010s?

4. We would need type 2 capital markets that invested the intergenerational savings of people and places into each place's next generation's productivities. It is not economical to design globalisation in such a way that half of the world's youth are underemployed or unemployed.

5. Doubtless we would need to up the competences of summit processes in particular areas. There should be a council of economists who (eg alumni of Hayek) want to see their subject celebrate abundancy instead of speculate over scarcity. This comes down to innovating multi-win social business models of the computer-empowered age, as John Von Neumann urged, so that these replace the multi-lose models of the thing consumption era. As Peter Drucker's writings helped us to rehearse, this is the defining worldwide quest of the post-industrial revolution.

6. And all of the above would imply, *inter alia*, that we would need the world's most brilliant hosts of conflict negotiation.

7. We should develop educational access for every age group in a way that is most relevant for them to practise income generation networking and team formation at least 2 years before they leave education – in today's world that means needing different

literacies and action learnings relevant to 11-year old and 14-year olds and 17 year olds as well as those lucky enough to go to tertiary education. What are *we the peoples* waiting for? The internet provides the means to empower everyone (including parents and teachers) to help each other find our micro-entrepreneur inside, and to celebrate the confidence of cross-cultural celebrations in a century when we can no longer afford professions who advise on making borders to be where we compound the greatest risks.

8. All of this urgently suggests – we need to search out first opinion movers – those whose life missions joyously interconnect the local and global collaborations now needed to make the 2010s youths most productive decade.

Search Sam Daley-Harris and Civil Society –
http://www.google.com/#hl=en&q=%22daley-harris%22+%22civil+society

Context: Microcredit Summit 2011 Workshops: 'Changing the mindset and strengthening the capacity of financial institutions, governments, MFIs and other stakeholders for carrying out microfinance programs through effective partnerships'.

'Empowering the Children of Micro-entrepreneurs with Primary and Secondary Education, College Scholarships and Loans, and Financial Services for Their Businesses'.

'Breaking the Rules of Microfinance to Better End Poverty and Catalyze Its Transformational Dimension: Conversations with Industry Pioneers to Explore the Soul of Microfinance'.

'How Can Microfinance Contribute to Restoring Dignity and Transforming Lives in Urban Slums?'

II. Ideas If US Congress Is Serious About Job Creation!

Back in 2010, over two thirds of US Congress voted to receive a testimony from Nobel Peace Laureate Dr Muhammad Yunus on job creation and credit as the lifeblood of any nation http://grameeneconomics.com.

Friends of Dr Yunus all round the US have been preparing processes and events to help celebrate such an occasion, but it seems at time of writing (October 2011) that politics of job creation is too party partisan to help young people just get on with testing entrepreneurial ways ahead. However, there is some good news: Georgia – 45 colleges across the state invited 1,200 youth to brainstorm Job Creation 17 October 2011 in Atlanta.

Where Will America's Top20 Regeneration Ideas Come From?

Thanks to the State of Georgia, one of the main sources of regeneration has now been demonstrated. It is state-wide brainstorms of businesses that societies could value most. Brainstorming led by and for direct actions of university students. To appreciate how this works why not interact with some of the ideas that emerged in Atlanta, Georgia State University, on October 17th when over 1000 students, 45 college principals, various representative of state and federal government and business leaders came together to celebrate Dr Yunus by daring students to present their most exciting social business ideas.

The idea I recalled most after 24 hours is: why not a microfinance bank for battered mothers. Every few minutes a mother is battered by an abusive spouse. The strength of this idea is that there can be few less productive situations for women and their children than a home led by a batterer. The weakness of the idea is the view that a banker never has the community right to act as if he is personally involved in feeling one person's emotions more than another's. The power of this idea is bigger than one student group or one state. Doesn't it need a collaboration across the country by many institutes that are already concerned with both the crises of battered mothers and of banking sustainably targeting peoples (mothers and children's future) whose lives could be much more productive?

A suggestion: could one university in Georgia set up a halfway house for such mothers and families in which the mother gets fast support at training up whatever may be her greatest skills and her children get a smooth change of schooling. Such a college should probably have a maximum of one year so that it could focus on helping change lives at the most critical moment. During that year the two opposite opportunities for each mother could be assessed – that she could be re-empowered to lead her home micro-entrepreneurially, that she and her children needed longer-term help. Presumably we have many institutes of that second kind. As far as I know we have no microfinance bank for the abused mothers. So this idea is new to the world. And incidentally was co-presented by a student who has survived being a battered mother herself!

I only heard 10 of the 38 ideas that were simultaneously tested among the 1,000 youth and over 100 mentors assembled on 17th October. So this report cannot begin to be representative of the sort of combined energy that 1,000 Georgian youth can generate in a few hours of co-presentations. We invite these ideas to be posted up and iteratively reviewed at www.youthandyunus.com and hope to track those that are sustained in future issues of the *Journal of Social Business* (JSB) www.journalofsocialbusiness.net. Here, is a sample of the other ideas I heard. That I would say they were not new to the world but potentially solution pathways that collaboration student networks across many states could entrepreneurially work on, and so celebrate putting America back to work.

Solar for mobile homes of which there are hundreds of thousands in a state like Georgia. Cooperatives for regenerating an area that had lost its main employer of skills – part of Georgia has lost its textile manufacturing – a sewers cooperative would make a relevant regeneration channel. An e-trash centre that would recycle electronic gadgets. This could act as a hub for placing the recycled technology devices with youth who otherwise would not have access to the information age. Clearly this sort of concept has extra value if college students see this as a way of integrating peer to peer training, ie the college students knowhow of using technology could valuably mentor school kids most at risk to not getting digital experience.

The central host of this process, with over a decade of experience in connecting entrepreneurial programmes across American Colleges is Professor Bhuiyan who can be emailed if you might want to try replicating this process at ofcvc@hotmail.com; his current invitation to join in is at http://www.ofcvc.org/ofcpromo.html.

III. Economics' Millennium Challenge

Let us adopt *The Economist* magazine's 1972 microeconomics hypothesis: for any country to grow over time it needs capital markets that invest intergenerational savings into the next generation's productivity.

Then let's assume that the people's need to be entrepreneurially involved in the following puzzles:

Puzzle One

Which of these 2 opposite types of banking do you want to be most pervasive in your country?

Type 2

a) issues credit for people's income generation

b) develops local community

c) keeps savings safe

Type 1

a) issues credit to get people into debt through unsustainable consumption

b) isn't community-based in its decision-making

c) rewards those who speculate globally with people's savings

Puzzle Two

What if technology reduces the cost of the main manual process of type 2 bank's record keeping and customer transactions by 100-fold?

Puzzle Three

What if additionally trends spin which put bankers, media and government's public servants in each other's pockets?

Puzzle Four

What if the value of organisations in financial services becomes more and more dependent on how truly trustworthy they are, and such information becomes so interpersonally networked that there is no longer a way to prevent insider trading such as knowing what a rating agency is going to broadcast next a second before everyone else?

The Economist magazine's prediction in 1972 was that unless these puzzles were transparently resolved by designing globalisation to safeguard the sustainability of community-grounded banking, the whole global financial system would collapse.

It would seem probable that both developed and developing worlds now need to action learn the transparent truth about the models that the microcredit summit set out to empower worldwide knowledge exchanges around in 1997. In other words, all of our media now needs to value the leadership heroes and working heroines of Bangladeshi microcredit now more than ever. Moreover, we need to take their action learning into IQ tests contextually relevant to every stage of education primary, secondary, tertiary so that education's main purpose can also be to help youth find the unique competences they were born with to be productively income-generating and communally valuable.

Further References

www.considerbangladesh.com where you can find the last 2008 articles of The Economist's *Unacknowledged Giant* Norman Macraehttp:/

www.10thousandgirl.com/ where young Australian women are making social media smart enough to start tackling these puzzles

Special Issue of the*Journal of Social Business* (JSB) published to match the aspirations of the 15th Microcredit Summit in Spain, 14-17th November 2011

IV. Norman Macrae Foundation Inviting Association of 100 Leaders Who Want to Help Make 2010s Youth's Most Productive Decade

Joy of Economics: 12 Mediation Stories – To Value Multiply

12. Norman's nickname is *The Economist's* 'Unacknowledged Giant'. His joyful work there in second half of the twentieth century progressed journal from 3rd ranked weekly to world's favourite viewspaper. Good news weeks are possible, and more fun for smart media to share with leaders and youth!

11. *The Economist* was founded in 1843 to end hunger and to openly test leadership decision-making on impacts on next generation's productivity and sustainability. An exciting reference is *The Economist's* own 1943 centenary biography written during World War II. Norman read this while serving as a teenager in Royal Air Force out of modern day Bangladesh.

10. As a social media, *The Economist's* first two targets were: reformation of London's parliament and Queen Victoria's role –from head of colonial empire to centre of Commonwealth. While *between-take* of French word *entrepreneur* commemorates guillotining those who monopolise over productive assets, Scottish optimism assumes a smoother reformation can be mediated.

9. Norman foresaw 2010s as the www decade that most determined the future of human productivity. His 1984 book argued that there are only two opposite endgames to what net generation structures – as *death of distance* economics and politics spin.

8. Norman's first quarter of century at *The Economist* journalised the war between two economic schools. His ally: entrepreneurial economics aims to advance productivity of every place's peoples. His foe: macroeconomics. Norman collated detailed evidence on how fatal conceit hires economists to spin *disgraceful political chicanery,* and how professors of the big-gets-bigger conflict systemically with nature's way of integrating the futures of life.

7. Those who study Norman's writings can identify at least 10 mathematical errors of macroeconomics that will destroy sustainability of communities, unless urgently reformed before societies race to be more interconnected than separated. Perhaps the simplest entrepreneurial revolution needed now revolves round the systemic need for type two capital markets. Capital markets are instrumental to a place's development as they invest intergenerational savings – if those are not used to invest in that place's future productivity what chances do our children's children have to be productive?

6. In historic times, when cost of geographic distance separated national economies, places where people were defrauded by banking collapses or other macroeconomic errors went into decline or were poverty-trapped by other nations. However, in the highly connected economies of a networked age, all peoples end up being in the same economic and social lifeboat.

5. Norman argued that youth of the net generation could vote for the most heroic (and productive) millennium goals – of which ending poverty was the most central. Elders needed to help with investing in such, as did newly smart media.

4. One of history's earliest cases of a nation losing its next generations' freedom to an international financial scam was Norman's Scotland. It became colonised by England, and during 1700-1850 over half of Scots entrepreneurially emigrated in preference to London's tax laws that counted sheep as more valuable each quarter than humans. On the Isle of Arran, Norman's great grandfather spent his life negotiating shipping passage from landowners so that Scots could develop productive futures for their children around the world. Scots' social networks weaved one of the first Diaspora nations. While other nations spend lots of money and lives on arms, Scots have found the bagpipe sufficient to peace corps with!

3. The Joy of Abundant Economics. Along with Peter Drucker, Norman argued that service and knowledge industries are capable of social business models of multi-win value exchanges that go above zero-sum. Unlike scarcity economics of things that get used up, knowhow can multiply value in use and digital can openly replicate. Part of Norman's retirement produced biography of Von Neumann for the Sloan Foundation as further evidence that risks don't have to be

compounded at borders – our children everywhere can be happy and free to collaborate in the most productive times to be alive.

2. Collaboration Entrepreneurship is the new innovation advantage of a global village economy. Given a fair chance the poorest, as most underemployed, can lead an extremely affordable way ahead by integrating hi-trust hi-tech communal services in life critical markets. In his last years, Norman's writings explained why 'Considering Bangladesh' could be more critical to sustainability world trade in 2010s than his vote for Japan in 1960s. Back in *The Economist* of 1976, Norman had also celebrated America's 3rd century by mapping how to prepare economically for 1976-2025 as Asia Pacific www century.

1. Norman's father-in-law had worked with Gandhi for 25 years to declare India's independence. From this Norman knew why to be wary of whenever professional monopolies rush to go global in ruling over people. Gandhi's chief international advisers were the education entrepreneur Montessori and the mathematician Einstein. Let's hope that job creation economic network leaders can search out such curiosity-loving mindsets now. Let's learn too from the first attempt to reform *Raj economics* – in 1860 the founder of *The Economist* died before his time needing oral rehydration – a cure innovated in Bangladesh that now costs global villagers a few cents to serve just in time.

http://normanmacrae.ning.com □

Connecting Readers Of The Journal of Social Business

The Journal of Social Business (JSB) seeks to connect its readers with other journals supporting social interventions and pro-youth economics. In this first of a series, we sample some of the papers of the MIT Journal: **Innovations** whose Innovation-Led Development concern is focused round 'entrepreneurial solutions to global challenges'.'http://www.mitpressjournals.org/itgg

1. Mobile Money in Afghanistan: Chipchase & Lee & Maurer, Spring 2011

http://www.mitpressjournals.org/doi/pdfplus/10.1162/INOV_a_00067

The idea of mobile money became concrete in 2007. In that year, after a pilot programme supported by the United Kingdom's development aid organisation and Vodafone, the Kenyan mobile network Safaricom launched its M-PESA service. M-PESA permits person-to-person money transfers via mobile phone using an extensive network of M-PESA agents throughout the country. The sender initiates a transfer via text message and the recipient of the message goes to an agent to collect the cash. As of late 2010, M-PESA had over 12 million subscribers and had become an integral part of Kenyans' everyday lives.

Many other countries around the world are trying to replicate M-PESA's success. In one such effort in 2008 Vodafone and the telecommunications company Roshan created 'M-Paisa', a money transfer service initially used to facilitate payroll for the Afghan national police force. The service is now taking hold with the general public, but questions around its long-term impact remain. Will Afghanistan's M-Paisa achieve the same kind of scale, level of consumer confidence, and degree of economic significance as Kenya's M-PESA? And if it were to do so, what would this mean for Afghanistan, a country that for millennia has been the crossroads connecting the world and as a consequence, a battleground for political and economic dominance?

2. The Economics of Branchless Banking: Ignacio Mas, Spring 2009

http://www.mitpressjournals.org/doi/pdfplus/10.1162/itgg.2009.4.2.57

If you are a smallholder with all your income concentrated in a particular season; if you are a day labourer who is not sure what employment opportunities there may be tomorrow; if you are a street hawker making US$2 a day and know you will have to come up with US$20 to send your children to school in September; if you are the family's breadwinner but have no medical insurance – can you afford not to engage in finance? Finance is essential to help people escape a hand-to-mouth existence, yet the reality today is that if you are poor or low income, your financial world is disconnected from the rest of the world. In all likelihood, you rely on informal solutions: stashing small amounts of cash in a jar; relying on friends and family members to help out with occasional loans or favours; belonging to an informal community savings group; or using the services of trusted money guards or moneylenders. Financial markets are quite simply failing to meet the needs of a vast swath of society – those who are poor, and especially the poor living in rural areas – in a way that is affordable, convenient, and safe.

It doesn't have to be this way. It is not that markets are inherently incapable of meeting this need; our current financial system simply has not organised itself to meet it. This paper offers a vision for how to construct a banking infrastructure that is commercially viable, safe and trusted, and accessible to all. At the very least, this requires that each player in the value chain have a clear financial incentive to participate in and actively promote the service. Moreover, each transaction must be profitable on a stand-alone basis so that customer profitability can always be assumed, which makes a true mass-market approach possible, with no incentive for providers to deny service based on minimum balances or intensity of use. It is analogous to prepaid airtime for mobile operators: a card bought is profit booked, regardless of who bought the prepaid card. This suggests the central importance of keeping fixed per-customer costs extremely small and of reducing unit transaction costs, which will fully commoditise (and hence democratise) the banking product.

3. Open Standards, Open Source, and Open Innovation – Harnessing the Benefits of Openness: Elliott Maxwell, Summer 2006

http://www.mitpressjournals.org/doi/pdfplus/10.1162/itgg.2006.1.3.119

In many many ways, the internet has changed our lives. For those concerned with public policy, one of the most important of those changes has been in the treatment of intellectual property, and the ways we view both the process of innovation and the process of deriving value from creative acts.

As the Internet grew, and as all forms of information increasingly became digitised, the sale of digital information in its many forms has been replaced by various licensing agreements between the rights holder and the consumer. These changes have led to what the National Academy of Sciences labels the 'digital dilemma': A digital information product, unlike a physical good, can be created, modified, perfectly duplicated in innumerable quantities, and distributed to millions of people around the world at little or no cost. But its creator, or those who owned the rights to it, could control it completely, lock it down or make it inaccessible, at least temporarily.

The views of many rights holders – defending their right to control their works – were increasingly coming into conflict with the views of many users who saw themselves as prevented from undertaking activities that they had long considered well within their rights.

In order for intellectual property law to achieve its aim – stimulating the greatest possible innovation for the benefit of society – it must balance the interests of first creators and those who follow them. Providing too great an incentive to either group would unbalance the system. If, for example, the incentives for first creators are too strong – they are given too much control or control for too long – little opportunity would be left for follow-on creators. The result, in economic terms, would be 'under-production' of follow-on innovation. On the other hand, if the system helped follow-on innovators by eliminating the incentives that were needed to generate first creations, we would see 'under-production' by first creators.

The policymaker should aim to encourage the most innovation, not to favour either first creators or follow-on innovators. As the Federal Trade Commission wrote in its recent report on the patent system, Patent policy is for the benefit of the public, not patent holders. The ultimate point of granting a patent is not to reward inventors, but rather to create incentives for actions – invention, disclosure and commercial development – that will further the public interest and thus benefit consumers over time.

4. Kiva – and the Birth of Person to Person Microfinance: Matt Flannery, Winter & Spring 2007

http://www.mitpressjournals.org/doi/pdfplus/10.1162/itgg.2007.2.1-2.31

The birth of Kiva is one of the most exciting journeys of a webbed-based 501(c) (3) organisation. Matt (originally a software writer) explains the genesis in extremely practical way – beginning with this story in 2003:

Jessica and I had just become engaged. She was working at the Stanford Business School as a staff member in the Public Management Programme, had access to a wealth of ideas and contacts in the social entrepreneurship arena. She would come home talking about things like 'Social Return on Investment' and 'The Double Bottom Line'. For me, this was an interesting but academic discussion. One night, she invited me to come hear a guest speaker on the topic of microfinance, Dr Mohammed Yunus. Dr Yunus spoke to a classroom of thirty people and shared his story of starting the Grameen Bank. It was my first exposure to the topic and I thought it was a great story from an inspiring person. For Jessica, it was more of a call to action that focused her life goals.

Around the same time, we took a thirteen-week pre-engagement class at our church. They make you do is talk about big things like kids, money, family, and career goals. We scored pretty well on our tests until midway through the course when we got to the page in our workbook that asked: "What are your Career Goals? Matt's Answer: 'I want to live in the Bay Area and be an entrepreneur.' Jessica's'Answer: 'I want to go to Africa and do microfinance.' You can imagine the concern our classmates expressed; nevertheless, we passed the class and got married that summer.

Through pre-launch, launch in 2005 and evolution, Kiva has made at least 20 decisions – anyone of which could have diverted it off path (so one feels) if it wasn't for the uniquely grounded Matt and Jessica. It's fascinating to explore with Kiva its capacity to be *the World's Largest Database of Micro-entrepreneurs.*

As Matt Flannery says, 'A data-rich system is inherently more transparent. Transparency allows more accurate risk assessments on the site. Lenders can use the fine-grained information to make decisions about where to place their money. The database also serves as a free and open information resource for the public. Detailed impact assessment and social return on investment (SROI) data will provide for more accurate measures of how microfinance affects poverty in the regions we serve. In many places, the Kiva website is serving as the first ever public record of a particular person's existence. The reputations that entrepreneurs gain on the site enhance their individual reputational collateral in the form of ad hoc credit ratings. One day a borrower moving from one MFI to another, or one country to another, will be able to point to a Kiva profile as a reference point for creditworthiness.'

5. Aravind: Partner and Social Science Innovator by Larry Brilliant and Girija Brilliant, Fall 2007

http://www.mitpressjournals.org/doi/pdfplus/10.1162/itgg.2007.2.4.50

The purpose of ending unnecessary blindness has nearly as long a history as a social business entrepreneurial network of partnerships as Microcredit. This paper explains how Aravind was the pioneering hub for much of the local knowhow which the end-blindness franchise needed to integrate. Co-author Larry Brilliant is also known for helping to end smallpox and being the first CEO of google.org. The first two replications into Bangladesh of the Aravind model by Grameen were funded by the social pop group www.thegreenchildren.org whose hit song 'You Can Hear Me Now' is also a popular slogan for ending poverty through creating social businesses by empowering village mobile telephone ladies to end digital divides.

The Aravind Eye Care System has dramatically improved the quality, volume and efficiency of eye care delivery in India and inspired health workers everywhere. Dr G Venkataswamy conceived Aravind's mission as'working towards the elimination of needless blindness through innovative health care and the development of strong partnerships'.

In 1978 Dr Venkataswamy (known to many as 'Dr V') was one of the founding directors of the Seva Foundation, based in the United States. Seva was created by veterans of the smallpox eradication programme, and set as one of its goals the elimination of needless blindness, beginning in Nepal and India. Dr V was a central force in the growth of the Seva Foundation, and remained so until his death in 2006. Seva's collaboration with Aravind began with small grants to subsidise the cost of cataract surgery, but soon grew to one of collaboration in epidemiological and operations research, placement of expert volunteers, and staff development.

Dr V never hesitated to make Aravind's resources available to Seva, and Seva enthusiastically responded to Aravind requests for help in identifying the technology, consultant or system support needed for its growth. It has been nearly 30 years of an unprecedented partnership. As Seva's eye programmes expanded, Aravind offered to provide training to new Seva field staff and partners. Seva eye care workers from Nepal, China, Cambodia and Tanzania trained at Aravind. In addition, Aravind sent senior staff to assist in programme development, hospital design and operations training at Seva eye programmes.

In 2005, with the encouragement of Aravind, Seva launched the Center for Innovation in Eye Care in Berkeley, California, to serve as a vehicle for scaling up strong sustainable eye hospitals. One of its key activities is the development of the Centers for Community Ophthalmology (CCO) Network, designed to facilitate the rapid growth of eye hospitals and service programmes around the world. These 'CCOs' include at least one institution in every region of the world and this work draws strongly on Seva's partnership experience with Aravind as it developed the pioneering LAICO (Lions Aravind Institute of Community Ophthalmology).

A second major way in which Aravind has shaped international eye care has been through its emphasis on understanding the human aspect of sight restoration. This began with Dr V's insistence that research be done to find out why rural patients who could benefit from surgery were not coming, and that this research be done by social scientists with an appreciation for the variety of socioeconomic forces that affected patients. Aravind looked at social markers that had the strongest association with eye care utilisation, and found that literacy and gender largely determined who got surgery and who stayed blind. Globally, women carry a greater burden of blindness than men; two out of every three blind are female.

More women are blind – not because of genetic propensities, but because worldwide, utilisation of preventive and restorative eye care for females has not been equal to those of their male counterparts. This inequity begins in childhood.

Recently, gender disparity in all health care has become a vital issue. Today, Aravind, Seva Foundation, Seva Canada Society, World Health Organisation, Al Noor Foundation, Canadian International Development Agency, the International Agency for Prevention of Blindness and member organisations have framed gender inequity as a human rights issue. □

GLOBAL ASSEMBLY 2010

Some Exciting Developments

The Centre *for* Development (C*f*D) Scotland, in association with the University of Glasgow, organised a day-long Global Assembly on 4th July 2010 to mark the beginning of the Net Generation Decade of the 2010s.

The programme included:
Conference – 'Tackling Poverty and Income Inequality for a Fairer World', Keynote speech by Nobel Peace Laureate Prof Muhammad Yunus and signing of new his book *Building Social Business* (2010), a Celebratory Dinner and a Mini Cultural Show. A total of 542 persons registered their interest in this international event. Finally, 483 turned up including 32 delegates from 12 countries. The international conference was held at the Charles Wilson Lecture Hall, Glasgow University, Scotland.

Dr Zasheem Ahmed, Convener of the Global Assembly, welcomed the audience and briefly explained the theme of the Global Assembly Conference. Prof Anton Muscatelli, Principal of Glasgow University gave the welcome address, Prof Graham Caie introduced Nobel Prize winning Grameen Bank *champion* Prof Muhammad Yunus, and Prof Yunus opened the Conference.

Prof John Struthers of the University of West of Scotland (UWS) Business School led the First Session with a Scottish focus on 'Trickle-up' Community initiatives directed at tackling financial exclusion, deprivation and income inequality in Scotland. Prof Graham Caie, Vice Principal of Glasgow University, led the Second Session with a global focus on social mission-driven education, research and development policy profiles including a number of social business and job-creating initiatives aimed at addressing poverty and inequality, and undertaking community-building Grameen-type projects in countries around the globe. In both the sessions a total of 25 groundbreaking presentations were made including Prof Yunus's useful intervention.

A brief Memorandum of Understanding (MoU) signing session took place between Prof Anton Muscatelli and Prof Muhammad Yunus – aimed at establishing 'Yunus Institute of Social Business and Economics' at Glasgow University and forging collaborations in diverse areas of co-operation between University of Glasgow and the Yunus Centre, Dhaka.

Prof M Yunus delivered his interactive speech to the conference on community-building system design and job creation. He mentioned that in creating a foothold on the basis of income-generating activity, undertaking social cause-driven entrepreneurial ventures are better approaches than welfare dependence and/or charity. He further emphasised that the 'Grameen way' – 'microcredit' and 'social business' – has proved a viable solution to lift millions out of poverty. As such, the 'bottom-up development' is an effective approach to meaningfully promote and assist the most disadvantaged live with dignity.

Dr Zasheem Ahmed summed up the Global Assembly conference as producing a remarkable premise for emerging 'Social Business and New Economics' ideas as a paradigm shift, while dealing with such diverse issues as the reduction of relative disadvantages, poverty and income inequality, community empowerment, fairer banking and credit, etc. On behalf of the C*f*D, he also made landmark announcements on the launch of a new international quarterly journal (The Journal of Social Business) with an inaugural issue in January 2011 and 'Norman Macrae Foundation' in honour of Norman Macrae, a towering figure in economics journalism – former deputy editor of *The Economist* magazine.

Finally, Prof Graham Caie offered a Vote of Thanks on behalf of Glasgow University and The Centre *for* Development (C*f*D). The Conference concluded, followed by a brief session of Prof Yunus's signing of his book, *Building Social Business – The New Kind of Capitalism* (2010).

After a Celebratory Dinner in honour of Prof Yunus, joined by over 150 conference participants and guests, the day-long event concluded with a brief East-West (Bengali and Scottish) dance and music performances, presented by The Nazrul-Burns Centre

(The Centre for East-West Arts and Cultural Excellence). This part of the Global Assembly was held at the Glasgow University Union Complex.

In response to the C*f*D's post-Global Assembly survey, 341 participants – out of total 345 responded – said, they found the Global Assembly very interesting, useful and interacting, and would like it happen again on new socio-economic issues hopefully in the presence of Nobel Peace Laureate Muhammad Yunus.

The Global Assembly has indeed marked the beginning of exciting Net Generation Decade of the 2010s – sustainable community-building system design, youth job creation and opensource innovative entrepreneurial network – which would eventually replace the mindset of a *dismal science* with the joy of economics going way above zero-sum war-games.

List of Presentations at the Global Assembly Conference: 04 July 2010

Session 1: Community Initiatives to Tackle Poverty and Income Inequality in Scotland

Chair: Prof John Struthers, University of the West of Scotland, Scotland

Jackie Cropper, Grand Central Savings, Glasgow – 'Assisting the Disadvantaged'.

Dr Rev Graham Blount, University of Edinburgh – 'Henry Duncan's Legacy of Savings Bank in Addressing Poverty'.

Brian Togher, GEMAP, Glasgow – 'Greater Easterhouse Anti-Poverty Project Approach to Financial Inclusion'.

Antonia Maryam Rofagha, Microfinance Society, St Andrews University – 'Students' Creative Enterprise Initiative'.

John McCormack, Capital Credit Union, Edinburgh – 'The Role of Credit Union in Addressing the Disadvantages of the Financially Excluded'.

Robbie Marwick, Economics Society, University of Edinburgh – 'Students' Social Enterprise Initiative'.

Faisel Rahman, Fair Finance, UK – 'Microfinance in the United Kingdom'.

Martin Johnstone, Church of Scotland Ministries Council, Glasgow – 'The Church of Scotland's Model of Community Engagement in Scotland's Poorest Neighbourhoods'.

Dharmendra Kanani, Big Lottery Fund, Scotland – 'Social Change from the Lottery Funds'.

Charlotte Atta, KARIBU, Glasgow – 'African Women's Microcredit Project in Glasgow'.

Mick Jackson, Wildhearts in Action, Scotland – 'Business as a Force for Good'.

Ellen McCance, Working for Environmental Community Action Now (We CAN) Project, Fife – 'WE CAN Bank: Growing Social Capital'.

Second Session: Bottom-Up Approach Furthering Multiplier Effect

Chair: Prof Graham Caie, University of Glasgow, Scotland

Chris Macrae, Youth Futures and Network Mapmaker, Washington, DC, USA – 'Entrepreneurial Revolution – 33rd Year Update of Norman Macrae's Survey'.

Eric Meade, Institute for Alternative Futures, Rockefeller Foundation, USA – 'The Future of Microfinance Impact Assessment'.

Jean-Luc Perron, Grameen Agricole Microfinance Foundation, France – 'The Importance and Relevance of Professor Yunus and Social Business'.

Eugenio La Mesa, Cure2Children, Italy – 'Grameen-Cure2Children Social Business to Cure Thalassemia'.

Samantha Caccamo, Social Business Earth, Italy – 'Tackling Healthcare Problems Through a Social Business Model'.

Olivier Maurel, Groupe Danone, France – 'Exploring Economically Sustainable New Model'.

Sofia Bustamante, London Creative Labs, London – 'Facilitating Job Creation in Communities Through Social Business: An Inclusive Approach'.

Dr Ashir Ahmed, Kyushu University, Japan – 'Grameen Technology Lab: Development of Technologies Based on Social Needs'.

Hans Reitz, Grameen, Creative Lab, Germany – 'Passion for Social Business'.

Elisa Rubini, San Patrignano, Italy – 'San Patrignano and the Good Goods Project'.

Dr Maria T Quiros Fernandez, European Business School (EBS), Wiesbaden, Germany – 'Social Business as New Innovative Idea in the Context of European Social Business'.

Julia Wilson, California State University Channel Islands – 'The Yunus Institute of Social Business – A New Discipline'.

Ms Lamiya Morshed, Yunus Centre, Dhaka, Bangladesh **–** 'Global Connecting Role of the Yunus Centre'.

Keynote Speech: Nobel Laureate Prof Muhammad Yunus, Founder of Grameen Bank

Call for Papers: 2012 Issues
The Journal of Social Business

An International Quarterly Journal

The Journal of Social Business (JSB) is focused on the 'Social Business and New Economics Paradigm' – *one that places people at the centre*. Given that social business entrepreneurship is an emerging global phenomenon, the JSB will be emphatically international in its coverage in terms of scholarship and real world experiences. The JSB aims to provide an interface between the social mission-driven practitioner community – entrepreneurs who are actively engaged in embracing the challenge of a 'new' orientation to businesses while maxmising social impact and the development of effective strategies for integrating their innovations into their ongoing and future operations – and the academic community – scholars who perceive the opportunity to apply their work (qualitative and quantitative) to critical issues facing the society and are enthusiastic to pursue Social Business and New Economics as a new line of inquiry.

The JSB invites contributions that offer creative ideas, observations and analysis in areas such as: **Pro-poor Growth Strategy; Multiple Faces of World Poverty and Solutions; Pro-poor Healthcare and Education; Poor-friendly Technology; Moral Economic Philosophy and Business Ethics; Human Relations Economics; Community Economic Development; Bottom-up Development; Community Banking – Microcredit and Microfinance; Mapping Social Business Enterprise and Sustainable Economy; Social Business Ventures and Third Sector/ Public Sector/Corporate Relationships; Globalisation and Social Business; People Orientation in Business and Management; Inclusive Business; Philanthropy/Charity and Productive Activity; Micro-Entrepreneurship; Investing in Youth and Job Creation; Sustainable Energy Issues; Environment Community Action and Sustainability; Microfinance and Climate Change; Active Citizenship through Skills and Capacity Building; etc**. The JSB welcomes contributions that discuss these issues in new and imaginative ways, particularly if they point to new scope of application, reform or policy recommendation.

The next issue of the JSB will appear at the end of December 2011. For full consideration of future JSB issues, manuscripts must be received four full months prior to each forthcoming issue. From 2012 the Journal will appear four times a year – March, June, September and December.

Guidelines

The title of the paper together with the author's name, address, affiliation and a contact telephone number should appear on an introductory page, separate from the text (and title again) of the paper. In case of more than one author, full correspondence details – postal address, telephone and fax numbers and email address – of the corresponding author should be furnished.

Manuscripts should include an Abstract of no more than 125 words, and up to six keywords which between them should characterise the paper. All pages of the paper must be numbered at bottom. Manuscripts typed in 1.5 spaces should not exceed 25 pages, including abstract, notes, tables, figures, and references. The author(s) must arrange permission for the reproduction of any material, tables and illustrations within manuscript.

House Style: Presentation and Format

The JSB uses British English spelling. Broad division and section headings should be clearly marked in the text where appropriate. Any quotations should appear in single marks, with quotations that exceed 40 words indented in the text. Notes should be placed at the bottom of each page as footnotes. Author's acknowledgement should be given at the end of the paper under a separate subtitle – Acknowledgement.

Statistical tables should be submitted on separate sheets (not in the text). Each row and column should be clearly labelled with appropriate headings, units of measurement, etc. Vertical lines should not be used in tables, and horizontal lines should be kept to a minimum.

Clear copies of artwork (preferably the originals) for figures in a finished format suitable for reproduction should be supplied. Figures will not normally be redrawn by the publisher. Any colour figures will normally be reproduced in black and white. Figures should be clearly drawn with clearly marked axes. Tables and figures should be numbered by Arabic numerals. Tables/figures or graphs should be submitted separately as picture files (jpg). Each table/figure/graph/diagram must be a grayscale jpg at least 150ppi. Precisely, author(s) will need to print each table/figure/graph/diagram, then scan and save each as a picture file (jpg), named as the same title of each, and sent as a separate attachment. The positions of tables, figures, charts, graphs, etc should be clearly marked in the text.

Bibliographical references should be carefully checked. Every reference cited in the paper must be listed in the References section in alphabetical order and style as follows:

Smith, A (1776): *An Inquiry Into the Nature and Causes of the Wealth of Nations*, London: Ward, Lock, Bowden & Co.

Yunus, M, Moingeon, B and Lehmann-Ortega, L (2010): 'Building Social Business Models: Lessons from the Grameen Experience', *Long Range Planning*, Vol 43 (2-3 April), Pp308-325.

Contributors should note that materials submitted to the Journal of Social Business must be their own and original work. These must not have already appeared in another publication and must not be submitted for publication elsewhere while under consideration by the Journal of Social Business. Contributors are fully responsible to ascertain that their contributions do not violate intellectual property rights or other proprietary rights of others, including copyright, trademark, patent or trade secrets.

Submission of Papers

Manuscripts should be submitted electronically in MS Word Rich Text Format as Non-pdf version. All submissions should be emailed to:

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