

- MICROENTERPRISE AWARDS 1/31/96
- BOOKS FOR Better Lives Video 2/6/97
- Prayer Lunch 2/6/97
- Children's Mercy Hospital 2/6/97
- Teacher Development Awards 2/5/97
- Relig. Advisory Committee 2/12/97
- Working Mother Lunch 2/10/97
- Adoption 2002 2/14/97
- Breast Cancer Protection Act 2/12/97
- Amer. Library Assoc. 2/6/97
- Bill Cosby event 2/19/97
- Holland & Knight / Cleveland elementary School 2/14/97
- World Health Org 2/25/97
- Garrison elementary School 2/21/97
- Press Conf. on Arts & Human. 2/25/97
- Family & Community Event 2/25/97
- DC Community Bank 12/20/96
- HUD Community 1st Bank 12/19/96
- Maurice Sendak Event 1/10/96
- Report on Gulf War Vets 1/7/97
- Arts & Humanities 1/97
- GMHC tribute to David Geffen 1/22/97
- Embury's Rest Luncheon 1/17/97
- Time Magazine (main) 1/97
- President's Service Summit 1/24/97
- NARAL Lunch 1/22/97

- TOAST TO DR. DAVID HAMBURG 12/16/96
- Adoption Radio Address 12/14/96
- Tinsell to Present Gumble 12/12/96
- International Human Rights Day 12/10/96
- Dept. of Defense Quality of Life Symposium 12/10/96
- Bolivia 12/96
- Info on Manila
- UNLV Lecture 10/22/96
- " "
- Brown Buffalo Hospital Partnerships 10/21/96

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

January 30, 1997

REMARKS BY THE PRESIDENT
AT MICROENTERPRISE AWARDS CEREMONY

The East Room

2:53 P.M. EST

THE PRESIDENT: Thank you. Welcome to the White House. I would like to begin with a word of thanks to, first, Secretary Rubin, who became Treasury Secretary and, before that, head of the National Economic Council, with a passion rare for someone in his previous line of work -- (laughter) -- rare, to bring the benefits of enterprise to people who had been too long denied them, and an absolute conviction, too rare all across our country, that just because people were poor and in distress did not mean they could not do better, did not mean that we could not spread the benefits of enterprise to the cities and to the isolated rural areas where they had been too long absent.

I'd also like to thank the First Lady for beginning this obsession, almost, that we have with microenterprise with me. (Applause.) I guess -- I asked her before I came up here and we were laughing -- you know, one of the great burdens of growing older is that you can't remember when something happened even if you remember exactly what happened. (Laughter.) And I said, now, when was it that I came home and told you I hope I lived long enough to see Mohammed Unis win a Nobel Prize -- (laughter) -- because it was my first exposure through our friends in Chicago who brought me in touch with him to the whole idea that microenterprise might be exploded across a nation. And she said, I think it was '85, but it might have been '86. So to be literally accurate, more than 10 years ago -- (laughter) -- we started the long road which we could not have predicted would bring us all to this day.

These awards for excellence in microenterprise development simply recognize that our country has been and will be built on the enterprise of our people -- on their ideas, their energies, their willingness to take risks, their willingness to pursue their dreams. That is the story of all the new businesses in this country. And with the right opportunity, those kinds of dreams can

become real for countless numbers of people to support their families and strengthen their communities and build our country into the kind of nation we want in a new century.

Indeed, it is now a commonplace observance that often the greatest contributions, economic contributions, in our communities come from the smallest businesses in the aggregate. They literally can transform communities, offering a path to success for Americans who would otherwise not have had it.

If we can spread the opportunity for microenterprise, for making that first beginning across this country, we can offer a new path to success for Americans who today are left out of the economic mainstream. In rural America it may be a person who once worked on a family farm. In urban areas it may be a parent who can't juggle an office or a plant job with a family, or who's been left out of the work force for childbearing, or who is struggling to move from welfare to work. It might be older Americans who are retired from their previous jobs. It might be people with disabilities who aren't mobile, but who have a skill, an idea, a capacity to contribute. It might be laid-off workers looking for a second chance.

There are huge numbers of people in our country, as all of you know, who are literally brimming with initiative and desire who are willing to be responsible and work hard. Microenterprise helps to put such people on their feet and gives people with courage and genius a chance to reach for the stars. To do that, they must have opportunity. There are people often who need these opportunities who are completely unable to get proper business training or loans or even a hearing from a lender under the established systems. But when the opportunity is not there for them, make no mistake about it, their loss is also our loss. For every person whose potential goes unfulfilled, there is a problem or the absence of an opportunity that affects the entire nation.

And when they have an opportunity, we move closer together in our common goals for our society. For, after all, all of us want every American to be able to be responsible and to work and to find fulfillment. We want to raise the incomes of people who can be fully participating in our society. We want to promote the growth of business. We want to ensure that everybody has a stake in the success of our communities, because we know there are no unsuccessful communities where everybody has a stake in its success.

As the First Lady has said with a lot of her compelling examples today, we have seen the value of microenterprise demonstrated in much poorer countries, bringing new dignity and better lives for women and children, especially. But we know it has also worked in America. One of the things that we worked to do in our home state was to create a community development bank and a good-faith fund microenterprise program.

Since I became President, we have tried to go national with this micro idea in a very macro way. And again, I say it would not have been possible if it hadn't been for the support of Secretary Rubin and his considerable persuasive powers in convincing other people who had never thought about it that this was, in fact, a good idea. We want microenterprise to take root everywhere. We recognize, however, that our efforts alone are not enough. We have to have a

partnership between the public and private sectors if we're going to have adequate support of microenterprise development all across the United States.

I also want to emphasize that microenterprise must be part of a larger strategy to help every American make the most of his or her own life. There are many pieces to the strategy, and we must all play a role to have the whole strategy succeed. We also reformed the Community Reinvestment Act, to revive communities in distress and ensure that private sector capital flows to all -- all -- credit-worthy borrowers without prejudice. That is unleashing billions of dollars in private investment in those communities, and I am committed to maintaining that effort.

In 1992, I called for a nationwide network of community development banks, while asking the nation's banks and thrifts to make sound investments to expand opportunity, enterprise and homeownership in distressed communities. Last year, Treasury's Community Development Financial Institution Fund made its first round of awards to 32 CDFIs around the nation. This is an initiative with enormous potential -- to help people who have been left out come in and be lifted up by their own endeavors.

Before recognizing the awardees, I want to make two further announcements today in support of these common efforts. First, we are committed to increase the Community Development Financial Institution's fund by a billion dollars over the next five years. That is almost triple its current funding. (Applause.) Thank you. And all of you know that properly run, these funds can create more jobs with \$100,000 than some traditional efforts can with a million. So I ask for your support and your continued demonstration that this is a good investment for all Americans.

Second, I want to announce a bold new effort to help Americans in hard-hit communities go to work. We have finalized a new \$10-million welfare-to-work partnership between Chase Manhattan Bank, the Rockefeller Foundation, and the Department of Housing and Urban Development. This three-way partnership will fund two private sector welfare-to-work projects designed to raise employment rates by as much as 20 percent to 30 percent in high-poverty urban neighborhoods. More than 15 sites will be funded in both projects -- three of them, Brooklyn, Central Harlem and New York City, and Sandtown, Winchester and Baltimore -- have already been selected for one project. Los Angeles, Cleveland, San Antonio, Seattle and Louisville are among the finalists for the other.

I'd like to ask Peter Goldmark, the President of the Rockefeller Foundation; William Harrison, the Vice President of the Chase Manhattan Corporation and Chase Bank; and Michael Stegman, Assistant Secretary at HUD, to stand so we can all thank you for your work in putting together this very amazing and very hopeful project. Gentlemen, would you please stand? (Applause.)

Microenterprise, by giving people the tools they need to help themselves, will reinforce efforts like this. And that's what our award recipients do every day. Today, we recognize them for their successful efforts. They are the engineers and the pioneers of potential. We need more of them in America. I'd like to ask each of them to stand as I announce their endeavors and their

award.

First, the Women's Self-Employment Project is a leader in advocating for low-income women in Chicago and assisting them to pursue self-employment to lift themselves from poverty and welfare dependency. It trains the women in entrepreneurship, marketing and in getting loans. It has served more than 3,000 women in the past 10 years. Most of the clients have household incomes of \$15,000. And, listen to this -- their business survival rate is 79 percent. Accepting for the Women's Self-Employment Project the award for Excellence in Program Delivery: Poverty Alleviation, is Connie Evans. Thank you, Connie. (Applause.)

Accion U.S. Network has made an impact in New York, Chicago, San Diego, Albuquerque, San Antonio and El Paso. Its name -- Action, in Spanish -- translates into opportunity for people it serves through specialized, streamlined loans. Most of its several thousand borrowers are Hispanic or low-income entrepreneurs of home-based businesses. It also lends to others who lack access to credit. One of its best success stories is that of Safaraaz Saalim who went from being homeless to running a successful, one-man salad restaurant in downtown San Diego. I'll go there next time I'm there. (Laughter.) Accion has shown itself to be a model of disciplined management.

The Cascadia Revolving Fund operates in rural and urban communities of the Pacific Northwest -- no, no, we're going to do them together. I know what I'm doing. (Laughter.) Providing intensive services to new and young businesses and helping them to stay in business. That's a big accomplishment because Cascadia specializes in high risk businesses. It is focused on helping low-income people, women-owned firms and businesses that locate in economically-distressed communities. For their work, Accion and Cascadia Revolving Fund are receiving awards for excellence in program delivery, access to credit, and the recipients are Bill Burrus, for Accion and Patricia Grossman for the Cascadia Revolving Fund. Let's give them a hand. (Applause.)

The North Carolina Rural Economic Development Center established a microenterprise loan program several years ago to combat the problem of lack of capital to start up businesses in rural areas. Its solution -- a highly effective model for statewide delivery of microenterprise services. It makes both individual and group loans and provides business training through local community-based partners. These partners identify potential borrowers and underwrite their loans. This is community action at its best -- growing the economy at the grass roots. And we have another winner in this category as well. (Laughter.)

From its base in Cambridge, Massachusetts, Working Capital also provides small loans to groups of business owners who form peer groups. To further help the cause, Working Capital created the microenterprise tool kit -- a step-by-step guide to starting a microenterprise program. This innovation will help spawn a whole new wave of entrepreneurs -- something all of us can cheer. For their leaps in creativity, the awards for excellence in program innovation go to Billy Ray Hall of the North Carolina Rural Economic Development Center and Jeffrey Ash of Working Capital. Let's give them a hand. (Applause.)

The Nebraska Microenterprise Partnership Fund is a model of public-private partnership. It is an intermediary, raising money from public and private sources to build a statewide grassroots network of microfunds. In just a short time, the Partnership Fund has sown the seeds of a strong network of microenterprise, demonstrating that federal, state and local government can, in fact, work with community-based organizations to support the smallest businesses.

The Self-Employment Learning Project of Washington, D.C., is the preeminent effort to research and evaluate the development of microenterprise and the people it serves in the United States. It has been instrumental in setting down the foundation for the growth of microenterprise and promoting its potential as a road to economic opportunity. Before the Learning Project was established in 1991, there was little information on microenterprise, and, well, here we are today celebrating them and more information. It has been a real engine in our progress and I hope today that we are helping the Self-Employment Learning Project to get more information out about this around the country.

For their fine work, they receive awards for excellence in public or private support for microenterprise development: Gene Severens of the Nebraska Microenterprise Partnership Fund, and Peggy Clark of the Self-Employment Learning Project. (Applause.)

Again, let me thank all of you for being here. Again, I thank Secretary Rubin. I also want to thank Brian Atwood of AID and Phil Lader, the Small Business Administrator, for their intense support of our microenterprise efforts.

And let me say, as all of you know, we have only scratched the surface. And I hope by our being together here today you will go home reenergized. And I hope that because of the publicity this event generates, you will all get hundreds of calls asking you -- (laughter) -- how more communities and more neighborhoods can become involved in this great endeavor. And I hope that we can depend upon Senator Kennedy and Congressman Davis to have yet another good project to become evangelical about. (Laughter.)

Thank you all very much, and good day. Thank you. (Applause.)

END

3:13 P.M. EST

LEED Adams Morgan 2/3/97

Created after Mt. Pleasant riots '91

Partnership w/ FINCA

Peer lending program will be augmented

by direct micro lending

FINCA Nicaragua "Madres unidas con Stillas" bank

FINCA 60K borrowers in 10 countries

small loans

planned savings program

technical assistance

Must join peer group

co-guarantee all other members loans

DC / 200 loans. FINCA

recruit entrepreneurs LEED

provide mtg place

Self employment ^{income} mtg

HRC/ One of POW's goals as Pres - - more women
funding for small enterprise

1#
woman

Small shop in A-M - it's getting poor day by
Vintage clothing -

Walls need to be repaired. Need to
make it more appealing

Have a reg. job and am a single mother
I've been here 25 yrs - I work all my life

FINCA DC (2)

Working for myself gives me ~~for~~ more quality time w/ my son -- he is learning my business

MAN 1

Have volunteer job @ Casa de Pueblo

I learn abt loan here - want to be an example for my community

Woman #2

5 kids four

child care business

loan helped me buy supplies -
bus. is doing well

woman
#3

My bus is - massage therapist

I've always tried to do sth I was good at

Went to Pokomas Massage Inst - couldn't keep it up financially

from ~~the~~ Body Works - home videos - ^{bought my tables}

Neighbor told me abt FINCA

taught me abt how to handle my books

Make a plan for business

Hopefully gonna have a spa in the future

woman
#4

from Nicaragua

My business goal - own line of beauty products

friends told me abt FINCA

^{potholes} gave me oppt to begin w/ my business
v. friendly, v. prof'l, v. polite

FINCA USA (3)

This is my opportunity to make money

MAN
#2

Worked 12 hrs/mo - (janitorial services?)
Now work in my co. 8 hrs

First FINCA loan → office supplies

2nd loan → bus. supplies

Marlene

(Business supplies!) →

Lead
of
business
mtg

Single mother - 2 small boys (one w/ ADD)

Lost job - needed to work to spend more
time w/ my kids

found out abt FINCA

Helped my self esteem after a divorce

I supplied resumes, bus. cards

- We're all like an intertwining family

- (all catch on when we hear abt this)

I'm unique - in that I have my own business
+ also am a facilitator for FINCA

Discussion/

Taxes

Acctg

Upcoming event / tables, chairs

To qualify for next loan, have to accumulate
savings.

We all write out our own plans -

I needed oils, sheets, music - have to write prices

transportation. Calculate how much you need

Then put in applic'n for our loan

Everyone reviews the application (you wait outside)

We all sit down + talk abt it

Also do a role-play w/ several scenarios
Sometimes we suggest taking a lower loan

We try not to turn ppl away but maybe
scale back.

At the beg, we went + approved e.o.

On second cycle we'll have more info -

- how bus is doing

- how loan was used

First time just have to rely on our feelings
abt each other.

We're a family. We can talk + catch on.

That's what FINCA is all about - the opportunity

MAN / Each grp has its own by-laws

MEMBERS / Bus. Pathways we have 5 ppl -

we discuss the by-laws / eb has to agree

HRG One extra benefit is that it does
increase your understanding of democracy
+ consensus building

HRC/

You can make
much more work and the world is big. Transplanted
here was initially funded by USMID
power. should be proud of that.

It we make a better case -

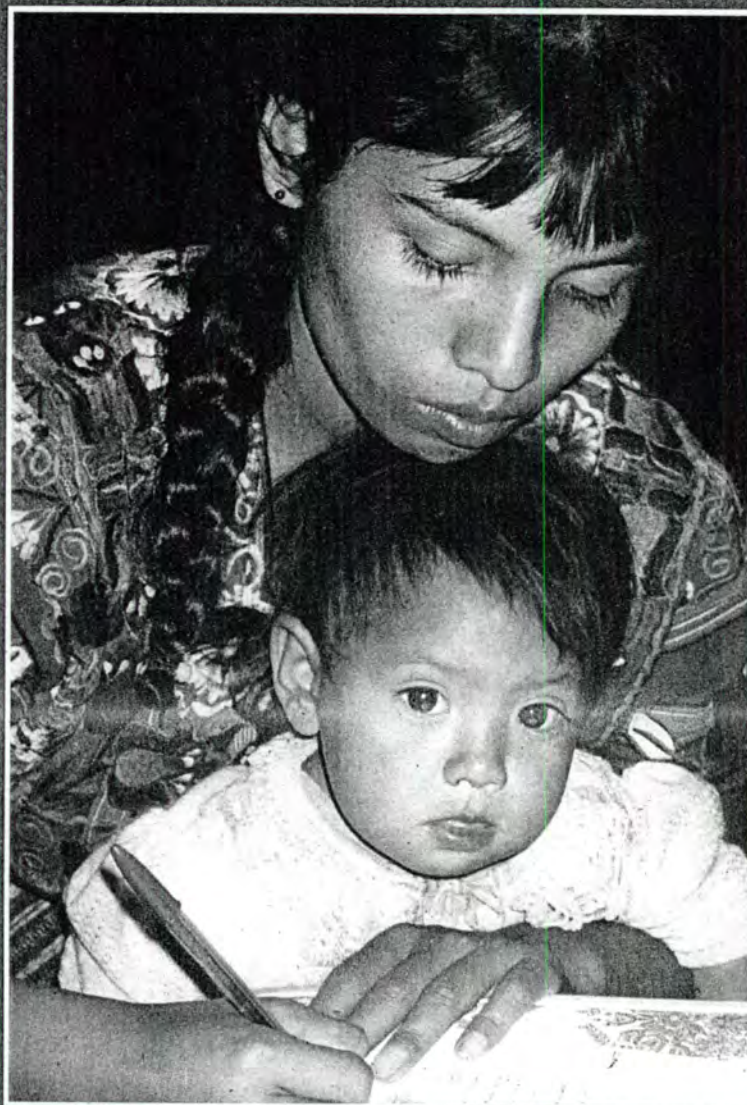
50 yrs of engagement has been for our benefit

hot of debate - how do we get best return for
our investment

Can expect us to take plans
of pub ed, fan stg, health care,
infrastructure

No gentle fix -

requires a lot of work



In time this little boy will grow to be a healthy adult. Many are not so lucky. Through a FINCA village bank, the boy's mother receives loans of \$50 to \$300 to invest in her small business, increasing her family's income, nutrition, and well-being. Today, FINCA Village Banking programs ensure the survival of thousands of children by making it possible for their parents to work.

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FINCA VILLAGE BANKING™



FINCA INTERNATIONAL

FOUNDATION FOR INTERNATIONAL COMMUNITY ASSISTANCE

1101 14th Street, NW

11th Floor

Washington, DC 20005

202/682-1510 fax: 202/682-1535 e-mail: finca@villagebanking.org

**PHOTOCOPY
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FINCA USA, Inc.

FINCA USA, Inc. is a private non-profit organization established to promote the economic and human development of low and moderate income families in underserved communities. FINCA USA promotes economic opportunity by providing micro loans, technical assistance and a savings plan to low-income and other entrepreneurs in greater Washington, DC and Minnesota who do not have access to traditional sources of business financing. Loans range from \$100 to \$6,000. Loans start small and increase gradually over 5 loan cycles. To access FINCA services, entrepreneurs form peer support networks called self-employment associations. Members make all loan decisions and are jointly responsible for the repayment of each loan in their group.

In partnership with local community organizations like LEDC, in the past 2 years FINCA has started 13 self-employment associations in the greater Washington, DC and Baltimore area and 8 self-employment associations in rural Minnesota. The 106 members, 84% percent of whom are women, have started catering, home-based day care, painting and desk-top publishing businesses. FINCA USA's program is supported by the US Treasury Department's Community Development Financial Institutions (CDFI) Fund, the CS Mott Foundation, the Blandin Foundation, the Cafritz Foundation, the Bremer Foundation, the Northwest Minnesota Initiative Fund, the Virginia Enterprise Initiative (VEI), the International Franchise Association, the Goldseker Foundation, the Philips Foundation, the Potomac Rotary Club, the Morton K. and Jane Blaustein Foundation, the Summit Fund, Citibank, the Herman Development Corporation, Nationsbank, Chevy Chase Bank, other area banks and foundations.

FINCA USA is an affiliate in the world wide network of FINCA International. Founded in 1984, FINCA International provides loans and other business support services to over 65,000 entrepreneurs in 14 countries in Latin America, Africa and Newly independent States.

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LATINO ECONOMIC DEVELOPMENT CORPORATION

In the wake of the Mt. Pleasant riots of 1991, leaders of the Latino community established the The Latino Economic Development Corporation (LEDC) to address the economic development needs of that neighborhood and of Latinos citywide. In June 1991, the Economic Development Committee of the D.C. Latino Civil Rights Task Force proposed the establishment of a Latino Economic Development Corporation (LEDC). The plan was adopted as an immediate means for bringing new jobs, businesses, investment capital and economic empowerment to the Mt. Pleasant and Adams Morgan neighborhoods, and to the Latino community of Washington, DC. LEDC was incorporated on July 3, 1991 in the District of Columbia as 501(c)(3) community development corporation.

The mission of LEDC is to promote sustainable economic communities through business, housing and human resource development in low and moderate-income neighborhoods with significant Latino populations. LEDC's housing counseling and development staff help Latino and other residents of the District of Columbia stabilize their housing situations. LEDC helps its clients find affordable rental housing and resolve landlord-tenant problems, and provides prospective homeowners with homebuyer education and mortgage application assistance. LEDC's business development staff provides local entrepreneurs with technical and credit assistance to start up and expand their businesses.

LEDC works with the Foundation for International Community Assistance (FINCA) to recruit, facilitate and provide technical support for self-employment associations like Business Pathways. By the end of February, LEDC will launch a neighborhood business loan fund, which will complement the FINCA program as an intermediate source of credit to small businesses (up to \$25,000 per loan). LEDC also facilitates credit relationships with conventional and SBA lenders for its business clients with credit needs over \$25,000. These credit facilities, together with business counseling services, enable LEDC to provide a "continuum of credit and support" to assist business start-ups and the growth of established businesses.

While LEDC's doors are open to anyone that needs assistance, LEDC's bilingual staff has a particular understanding of the needs and challenges facing Latinos in the District of Columbia, and provides much-needed assistance to many non-English-speaking clients. LEDC is supported by the DC Department of Housing and Community Development, the Community Development Support Collaborative, NationsBank, Signet Bank, First National Bank of Maryland, the Citibank Foundation and other local donors.

New Financial Services

LEDC announces three new financial services for housing and business clients:

Credit Reporting Services

LEDC offers direct access to Trans Union credit reporting service (a nominal fee is charged for this service). In conjunction with this service, LEDC offers client credit review and counseling for housing and business clients.

MORNETPlus Desktop Home Counselor

With this new state-of-the-art program from Fannie Mae, LEDC Housing Counselors can analyze our client's ability to purchase a home. This software program will be used to assess mortgage financing options and prepare budgets for clients.

Business Information Computer Center

LEDC offers public access to computerized business planning and accounting software. Use of this computer center is free to LEDC clients. Appointments are requested.

If you need more information about our services, please call us at (202) 588-5102/TDD, or visit us at 2316 18th Street, NW, Washington, D.C., Monday to Friday from 9:00 am to 5:30 pm.

LEDC is a nonprofit, tax-exempt community development corporation (CDC) founded on July 3, 1991. Its mission is to promote sustainable economic communities through business, housing, human, and environmental resource development in low and moderate-income neighborhoods with significant Latino populations.

LEDC

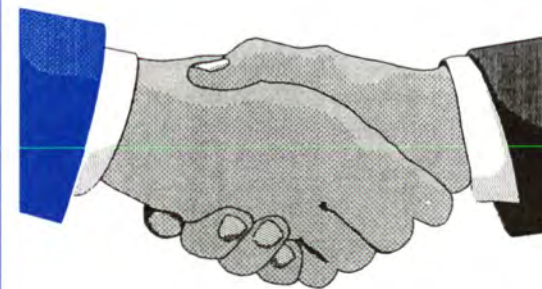
Latino Economic Development Corporation

2316 18th Street, NW, Washington DC 20009

Tel: (202) 588-5102/TDD Fax: (202) 588-5204

LEDC

LATINO
ECONOMIC
DEVELOPMENT
CORPORATION



Business
Division

SERVICES OFFERED BY LEDC

- ◆ Technical Assistance to help small businesses qualify for credit from commercial banks, including SBA (Small Business Administration) loans.
- ◆ Individual Counseling to start a new business, such as help preparing business plans, facilitating commercial bank loan applications, and orientation on how to get licenses and permits in DC.
- ◆ Workshops on all aspects of starting and operating a small business.
- ◆ Technical and Financial Assistance for area business associations, such as street cleaning and streetscape improvement, marketing and promotional support in the Adams Morgan and Mt. Pleasant business districts and other areas with significant Latino populations.



LEDC is a 501 (c)(3) tax exempt charitable organization supported by the DC Department of Housing and Community Development, the Community Development Support Collaborative, private lenders, and individual contributions.

NEIGHBORHOOD BUSINESS MICROLOANS

LEDC's Neighborhood Business MicroLoan Program provides loans for working capital and fixed assets of up to \$25,000, supported by a program of technical assistance, to a wide variety of businesses in the Adams Morgan and Mt. Pleasant neighborhoods and Latino businesses throughout the District of Columbia.

Program borrowers would be expected to meet the following criteria:

- ◆ The business must have been in operation, with acceptable financial statements, for at least two years (borrowers that have strong business-related employment history may be considered for loans with less than two year of operating history).
- ◆ Borrowers must have good credit histories and character references (i.e., be honest, hard worker and reliable).
- ◆ Borrowers must be willing to accept any technical assistance required by LEDC, including participating in entrepreneurial training programs and retaining a qualified accountant or attorney as a prerequisite for a loan and/or during the term of the loan.
- ◆ Borrowers must commit to make a good faith effort to hire Latino and/or other qualified neighborhood residents for any job opportunities that may occur during the term of the loan.
- ◆ Borrowers must be at least 21 years old and meet other criteria established by LEDC.

SELF-EMPLOYMENT ASSOCIATION MICROLOAN PROGRAM



Through our Microenterprise/Self-Employment Program, LEDC's Business Development Division provides three services to start or expand very small businesses: Loans, Savings Plans, and Business Management Assistance.

To access these services, "microentrepreneurs" join an LEDC/FINCA Self-Employment Association.

Loans: Association members can obtain loans ranging from \$100 to \$6,000. Loans start at a maximum first loan of \$500 and increase in steps over five loan cycles. Successful associations are self-governing and make all of their own loan decisions, and hold each member responsible for repaying all loans issued.

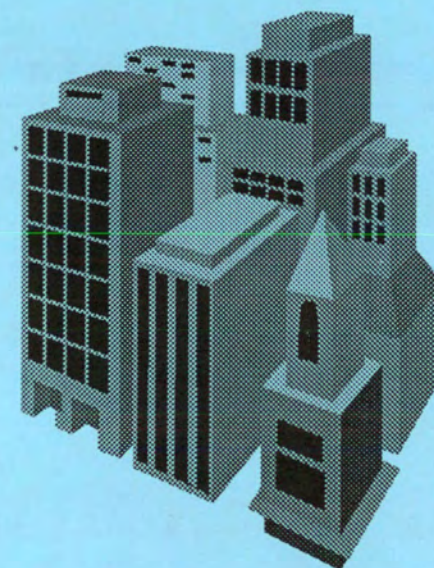
Savings: Self-Employment Association members save regularly for business and family needs. To qualify for larger loans, members must meet LEDC/FINCA saving goals in each loan cycle.

Technical Assistance: Self-Employment Association members receive business advice through networking with one another, from local business professionals, and from LEDC staff.

LEDC operates its microenterprise credit program through a partnership with the Foundation for International Community Assistance (FINCA USA).

LEDC

LATINO ECONOMIC DEVELOPMENT CORPORATION



2316 18th Street, NW
Washington DC 20009
Tel: (202) 588-5102/TDD
Fax: (202) 588-5204

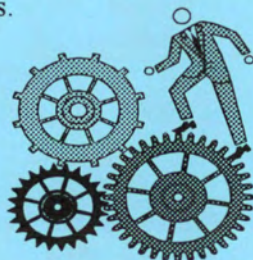
LEDC

Latino Economic Development Corporation

2316 18th Street, NW, Washington DC 20009

Through its BUSINESS
DEVELOPMENT
DIVISION, LEDC's
services include:

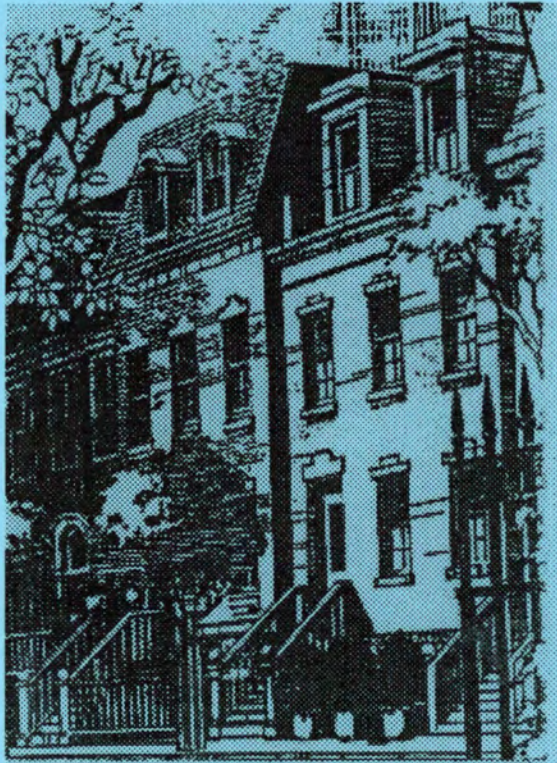
- ✓ Technical assistance for small business owners.
- ✓ Small business start-up assistance, including help preparing business plans, facilitating commercial bank loan applications.
- ✓ Seminars on how to obtain loans through the SBA and local banks.
- ✓ Organizing technical and financial assistance to neighborhood merchant associations.
- ✓ Support of Commercial district revitalization and improvements in its primary service area of Adams Morgan and Mt. Pleasant.



*If you need more information about
our services, please call us
at (202) 588-5102/TDD, or visit us
at 2316 18th Street, NW, Washington DC,
Monday to Friday,
from 9:00 am to 5:30 pm.*



The Latino Economic Development Corporation is pleased to be able to provide a variety of services to Spanish and English speaking residents of the District of Columbia, especially in its primary service area of Adams Morgan and Mt. Pleasant.



Through its HOUSING DEVELOPMENT DIVISION LEDC's services include:

- ✓ Renter Counseling
- ✓ Mediation of disputes between Landlords and Tenants.
- ✓ Money and Home Management.
- ✓ Resident Displacement and Tenant group Counseling.
- ✓ Mortgage Default/Foreclosure Counseling.
- ✓ Eviction/Relocation Counseling.
- ✓ Property Rehabilitation Loans Counseling.
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HOMEBUYING SEMINARS

On a regular basis LEDC offers a homebuying seminar, in English and Spanish. It's designed as follows:

Workshop I

Introductory Money Management and the Homebuying Process

- ✓ What if You Decide to Become a Homeowner?
- ✓ Guide to Your Money Management
- ✓ Basic Steps in the Home Buying Process
- ✓ Types and Sources of Home Mortgage Financing

Workshop II

Getting Ready for Homeownership

- ✓ Shopping for a Home
- ✓ Obtaining a Mortgage Loan
- ✓ Life as a Homeowner
- ✓ Prequalification
- ✓ Choosing a Real Estate Agent
- ✓ Making an Offer
- ✓ Closing

LEDC is a 501 (c)(3) tax exempt charitable organization supported by the DC Department of Housing and Community Development, the Community Development Support Collaborative, private funders, and individual contributions.



FINCA[®] INTERNATIONAL, INC.

1101 14th Street, N.W. • 11th Floor • Washington, DC 20005 • 202-682-1510 • FAX 202-682-1535 • EMAIL: 76215,1036@COMPUSEV.COM

FACTS ON FINCA

What is FINCA? Founded in 1985, The Foundation for International Community Assistance (FINCA) is a nonprofit, private voluntary organization. Our mission is to help families escape severe poverty by making it possible for them to work. We do this by establishing "village banks," groups of 20 to 50 low-income neighbors, each with a small business or business idea, who come together to receive small loans, accumulate savings, and provide mutual support for individual and community development. FINCA loans average only \$110 per borrower, yet the savings of our 70,000 members exceeds \$3.6 million. Though we serve poor families without collateral or credit ratings, our repayment rate averages over 95 percent. At least 75 cents of every dollar FINCA receives is devoted to village banking activities in the field.

Why village banking? By offering credit, not charity, to destitute parents, FINCA village banking enables them to start or improve their own small businesses, which can provide a steady source of employment for themselves and their families. FINCA is the original source of village banking. With over ten years of experience in the field, we have provided thousands of mothers and fathers with the means to improve their incomes, their children's health and nutrition, and their own self-esteem.

Why credit? Throughout most of the world, working capital—the money needed to start or expand a small business—is simply not available to the poor. Commercial banks will not make loans without collateral and credit ratings. Village banking assumes that, given access to credit, poor people can create their own businesses, repay their debts, set aside savings for the future, and work diligently to bring themselves out of poverty.

Who benefits? The typical village bank member is a woman between 25 and 44 years old, supporting, or helping to support, three children. She has little hope of being hired by a business outside the home, and she may be unable to look for outside work because she has small children to care for. Her dream is to start her own small business, either at home or nearby, that would allow her to earn the income needed to feed, clothe, and educate her children. She may make and sell crafts, clothing, or food; she may buy fruit, vegetables, or fish wholesale to resell. She has a plan to improve her life and that of her family, yet she is too poor to qualify for a loan from a commercial bank. A FINCA village bank loan is the best—and perhaps the only—hope she has for improving her prospects.

Where are the village banks located? FINCA currently coordinates a network of programs serving 14 countries: Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Kyrgyzstan, Malawi, Mexico, Nicaragua, Peru, Uganda, and the United States.

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THIS WOMAN DOESN'T
NEED YOUR CHARITY...



FINCA

Village Banking

ENTREPRENEURS

February 3, 1997

Marlene León-Lattimore is a single mother of two boys. After losing her full-time job, she decided to start her own business. She connected with the Latino Economic Development Corporation (LEDC) and found out about FINCA USA. She joined six other entrepreneurs to form *Visions of Success* and became the president of the self-employment association. The group approved Marlene's application for a \$500 loan to purchase computer equipment for her desktop publishing business. Marlene is unique because as well as being a FINCA borrower, she is a trained FINCA facilitator, forming and monitoring new self-employment associations in the northern Virginia area. She currently facilitates two start-up associations.

Vivian Smith's crafts business grew out of her desire to do something positive for the children in her Columbia Heights neighborhood. With several other residents, she started a club for children and taught them arts and crafts. In her class, she designed the handmade crafts which eventually led to the creation of her business, "A 'Little' Something Different." She joined a FINCA self-employment association when friends and a business counselor at the Latino Economic Development Corporation (LEDC) encouraged her to formalize her crafts into a business. Vivian joined *Visions of Success* and borrowed \$100 to buy materials to make her personalized, miniature chairs and pillows. She says that the FINCA program and support of LEDC have helped her professionalize her business. She has an occasional employee and plans to continue to grow her business.

Pam Smith's love of children led her to open Smith's Small Frys, a home-based child care business. After hearing about the FINCA program through her mother, **Vivian Smith**, Pam decided to join the *Visions of Success* self-employment association. Although her daycare had been open for about a year, Pam borrowed \$50 from FINCA for business cards to advertise her business. Since then her business has grown to five children. Pam says she has benefited from the support and assistance she receives from the group. She has learned to better manage her business by understanding budgeting and cash flow. Recently her business began to earn a profit, allowing her to open her first personal savings account. Eventually Pam wants to move her business out of her apartment into a child care center.

Marina Mendoza sells Mary Kay cosmetics. A native of Nicaragua, she came to the United States two years ago to live with her brother and his family in Alexandria. She joined *Visions of Success* because her friend Manuel Carela, whom she met in English class, knew she wanted to start her own business and encouraged her to join the group. Although Marina has a degree in biology and formerly worked for Nicaragua's Department of Health doing malaria education, she has not been able to find work in her profession here in the United States. She has a job cleaning offices at night, and supplements her wages with her Mary Kay income. Marina believes that what she has learned with *Visions of Success* has helped her gain the courage and confidence to launch a satisfying career. Marina used her first \$500 loan to buy inventory. She plans to apply for a second loan of \$1,000 to further expand her business.

Manuel Carela is the owner of M&M Construction, Inc. In his native Dominican Republic, Manuel worked in government as both an appointed and elected official. Since coming to this country eight years ago, Manuel has found employment in cleaning, construction, and sales. Although Manuel has the experience and ability to run his construction company, he has found it impossible to obtain financing from traditional sources. For Manuel, FINCA loans are not only an important source of capital, but also a means of establishing a credit history. Manuel used his first \$500 loan to buy materials and tools for his business. He plans to use his next loan to purchase a computer and more equipment.

Keran Dyer recently started her massage therapy business. To support herself during her business start-up, she is working a full-time job and doing massage part-time. She also continues to study massage therapy. A member of *Visions of Success*, Keran invested her first \$500 FINCA loan in the purchase of massage oils and other supplies. Now that her business is growing, she plans to borrow \$1500 to buy a portable massage chair so that she can do business at her clients' locations, in offices and at conferences. Aside from offering her credit and assistance in marketing, *Visions of Success* has been an important support group that Keran can call on for help. Keran was born in Jamaica and came to the United States in 1986.

Silvia Murillo is a single mother who runs a vintage clothing and used furniture shop with her 12-year old son Marco, her "business partner." Silvia's Vintage is located on 18th Street in Adams Morgan. Silvia has lived in Washington, DC for 25 years after immigrating from Bolivia. Silvia's Vintage is located in a low-rent basement store front. Because it is unheated, Silvia pays reduced rent during the winter months; she opens only on warm weekend days during that season. A member of *Business Pathways* self-employment association, Silvia borrowed \$400 to repair the walls in her shop, which are rough, uneven and cover her merchandise with dust. Once the walls are fixed, she will be able to better protect and display her merchandise, and be able to charge slightly higher prices.

Alberto Hoyos is the owner of Latino Computer Systems, a new computer repair business to be located in the Casa del Pueblo Methodist Church in the Mount Pleasant neighborhood. Like many other immigrants, Alberto found it impossible to work in his profession, chemical engineering, when he came to the United States. Until he took a computer repair training class in this country, his work opportunities were limited to unskilled labor, such as cleaning and doing odd jobs. Although he found employment as a computer repair technician, he has never been able to save more than a few hundred dollars each year. Alberto believes his own situation reflects that of many Latino immigrants. "We come here to follow the American dream, and many times we end up worse off economically than we were in our own countries. Language is a barrier, and self-employment is one of the few ways out of a future of low-paying jobs." Alberto is a member of *Business Pathways*.

VISIONS OF SUCCESS self-employment association started in the summer of 1996. Members received their first FINCA loans in August and made their final loan payments -- on time -- in January. They are now preparing to apply for second loans of up to \$1,500 per business.

BUSINESS PATHWAYS self-employment association started in the fall of 1996. Members received their first loans at a January 27 loan ceremony.

ECONOMY

More Welfare Recipients Start Tiny Firms

Programs Promoting Self-Employment Gain Favor

By MICHAEL M. PHILLIPS

Staff Reporter of THE WALL STREET JOURNAL
After 23 years on Aid to Families with Dependent Children, Diania P. Matson finally figured out how to get off welfare: She gave herself a job.

With a \$500 loan from the nonprofit Foundation for International Community Assistance, or Finca, Ms. Matson bought soil and seeds to start a greenhouse business in rural Menahga, Minn. Two loans later, the business is providing her more than \$7,000 in annual income, and last summer she left AFDC — a pattern that poverty experts hope will become more common as the new welfare reform law forces millions of poor people off public-assistance rolls.

"I'm more or less self-supporting," says Ms. Matson, who still receives small government disability payments. "I'll make it on my own one way or another."

More Leeway for States

When President Clinton signed the Republican-inspired welfare reform bill last August, he gave states greater leeway to design their own public assistance programs, while imposing a five-year limit on most benefits and requiring many beneficiaries to work. Now, as social service providers scramble to find jobs for all those welfare recipients, there's a wave of enthusiasm for programs such as Finca's that help the poor finance, launch and run their own tiny businesses.

"A year or two from now it's going to be a major component of welfare policy," predicts Finca founder John Hatch.

That doesn't mean entrepreneurship is for every soon-to-be-former welfare recipient. Most specialists in the field agree that only 3%-10% of recipients have the inclination and ability to run their own microbusinesses — companies with one-to-five employees, including the owner. And, as with new businesses of any sort, many of those companies will surely fail.

But even if a relatively small share of welfare recipients turn to self-employment for some or all of their income, the number of new entrepreneurs could hit the tens or even hundreds of thousands. The Urban Institute calculates that one million families will lose their AFDC benefits by the year 2002, while 850,000 families lose disability payments and perhaps as many as 900,000 lose their food stamps.

Part of Reform Plans

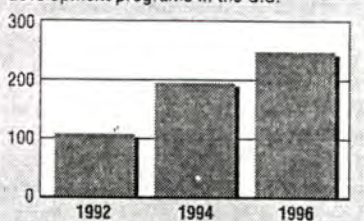
The welfare reform law itself didn't provide for microbusiness programs, but it does allow states to make the approach part of their own reform plans. Already at least 10 states, including Iowa, Arizona, California, Missouri and Tennessee, have

legislation that could allow welfare recipients to start businesses without having those assets counted against public assistance income limits. In other states, advocacy groups are pushing for more aggressive microbusiness development programs. "It's a hugely growing field, and there's a lot of fast work under way because of the pace at which welfare reform is moving," says Amy J. Kays, associate director of the Aspen Institute's economic opportunities program in Washington, D.C.

The White House is putting together a \$3.4 billion "welfare-to-work" jobs bill

Helping Hands

Number of registered microbusiness development programs in the U.S.



Source: The Aspen Institute

that, among many other provisions, is likely to encourage states to finance microbusiness development for welfare recipients. The issue is also expected to be a hot topic for U.S. participants in a first-ever international "Microcredit Summit" to be held in Washington on Feb. 2-4. The Clintons have been longtime supporters of microbusiness programs, and first lady Hillary Rodham Clinton, who has strongly supported the summit, visited with poor entrepreneurs during a recent trip to Bolivia.

Growing List

Much of the initial experience in microbusiness programs came from the developing world, from El Salvador to Bangladesh, where tiny lending projects are often used to help women generate an independent source of income. In the U.S., philanthropic and government microbusiness development programs have proliferated in recent years. "This country in the '80s began to develop pockets of poverty that are very similar to the developing world," says Maria Otero, executive vice president of Accion International, which operates programs in Chicago; San Diego; El Paso, Texas, and other cities.

In 1992, The Aspen Institute counted 108 microenterprise development programs in 38 U.S. states. In 1996, the institute found 248 programs in 44 states. As of 1994, the latest year for which such data are available, the institute calculated that 208,000 people had received loans, training or technical assistance from those programs. The figure is believed to be substantially larger today. "The percent of their money that a family earns from their tiny business is the percent that keeps them above the poverty line," Ms. Otero says.

The programs take many different forms. Some require borrowers to form groups that guarantee each member's loan, providing intense peer pressure for repayment. "I'd been dealing with a bank for 15 years and I couldn't get a loan because I had no collateral," says Buelah Williams, who has since used three Finca loans to build her Maryland clothing business and expects to hire as many as five employees this year.

Other programs, such as the Detroit Entrepreneurship Institute, provide extensive business training, but no financing. After graduation, institute accountants help the new entrepreneurs with their taxes while the graphics art department provides them with letterhead, business cards and envelopes to get them on their feet. The impending arrival of welfare reform has generated a burst of interest from the city's poor, says the institute's president and chief executive officer, Cathy McClelland. "In a sense there's almost a panic" about the prospect of losing benefits, she says. Evening classes for low- and moderate-income individuals now boast a waiting list 400 people long.

Even those most enthusiastic about self-employment programs, however, concede they won't work for the bulk of the people expected to leave welfare in the coming years. Starting a business is inherently more risky than working for someone else, they say, and the successful entrepreneurs often require close financial and technical support during the initial years of operation. Cost is also an issue. The price tag per job created or retained by a microenterprise program often exceeds the cost of other job programs, according to an Aspen Institute study. But researchers hasten to add that the microenterprise programs are usually working with the poorest of the nation's poor, who may have fewer skills and other special needs that make them harder to assist.

"This may not be the 100% solution, but it may be the 10% solution or the 5% solution," says Jeff Ashe, executive director of Working Capital, a nonprofit microbusiness lending program based in Cambridge, Mass.

Weather

Today: Partly sunny, windy, milder. High 42. Low 27. Wind 15-25 mph.
Tuesday: Mostly sunny, cool. High 42. Low 30. Wind 5-10 mph.
Yesterday: Temp. range: 11-26. Wind chill: -4. Details on Page B2.

The Washington Post

FINAL

Inside: **Washington Business**
Today's Contents on Page A2

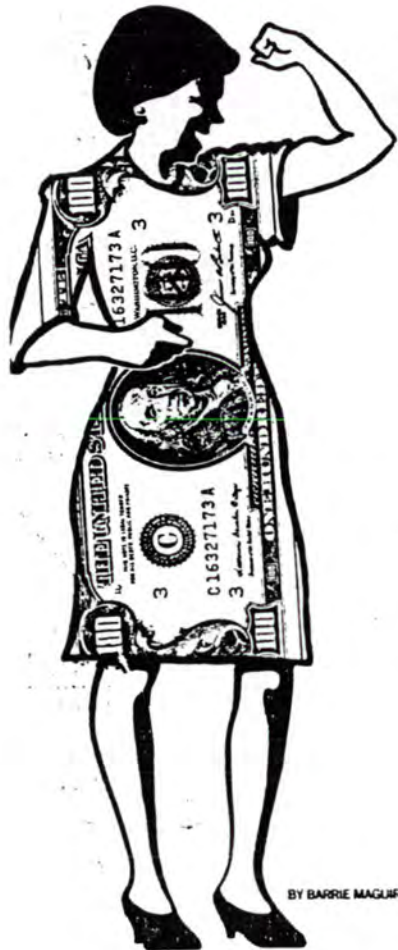
120TH YEAR No. 46

MONDAY, JANUARY 20, 1997

G

Prices May Vary in Areas Outside
Metropolitan Washington (See Box on A4)

25¢



Fred Hiatt

Penny-Wise Loan Policy

Beulah Williams of Olney qualified for her first \$500 loan two years ago. She bought a specialized sewing machine and some material, solicited her first order—for robes for a minister in her church—and never looked back. Today her company, BB Designs, offers a line of church wear and Afrocentric designer clothing, and Williams, 51, is planning to expand her staff.

That first \$500 didn't come from a bank. Williams's bank denied her application for a loan. Instead, her first loan came from the Foundation for International Community Assistance (FINCA), a nonprofit organization based in Washington and one of the pioneers of "microcredit" in the United States and throughout the developing world.

Microcredit—the stimulation of self-enterprise through the granting of tiny loans—is all the rage in development circles. It isn't as well known beyond those circles, a situation its adherents hope to remedy with a summit in Washington in about two weeks. Four heads of state and Hillary Clinton have promised to show up, the organizers say, and they're hoping that Bill Clinton—a longtime advocate of microcredit—will put in an appearance too.

The president might find it useful if he did. The microcredit evangelists may be overselling their product—more on that below—but there's no question that FINCA, the Grameen Bank in Bangladesh and similar institutions have accomplished re-

markable things. The institutions operate differently in different places, but they tend to share some principles: an insistence on businesslike practices, an emphasis on women as clients and as officers and a commitment to extend financial services to populations unserved by traditional banks.

The godfather of the movement, Muhammad Yunus, got things rolling with a \$27 loan from his own pocket 20 years ago. He was an economics professor in Bangladesh, inspecting the effects of famine in rural areas. A woman he met was earning only two cents a day for the baskets she wove, because she depended on an itinerant trader to advance her materials and then set the price for her finished products. With a loan of less than \$2 from Yunus—42 people shared his initial \$27—she was able to break free of her usurious trader and up her profit to \$1.25 a day.

That was the start of the Grameen Bank, which today has 2.1 million borrowers in 36,000 villages, borrowers whose loans (average size: \$150) have brought them a small weaving business, an extra goat, their own land—a bit of breathing space. Almost all its clients are women, who organize themselves into small associations; an astonishing 97 percent of their loans are repaid on time.

"In the poorest families, the woman suffers most," Yunus said. "She is the one who is always

given the roughest deal. So given the opportunity to overcome, she becomes the toughest fighter."

Grameen-style banks, cooperatives and nonprofit organizations now exist in Indonesia, Bolivia, Kyrgyzstan and El Salvador. They reach an estimated 8 million people and hundreds of thousands in the United States. Several (though none in the United States, where costs are higher) claim to be self-sustaining.

The Microcredit Summit wants to reach half the world's poorest people—100 million families living on less than \$1 a day—by the year 2005. "The time has come to recognize microcredit as a powerful tool in the struggle to end poverty and economic dependence," the organizers say.

Over the decades, theorists have championed many "powerful tools" for ending poverty, and most have disappointed. Is microcredit different? One answer, unfortunately, is that we don't know; as in many other areas of social policy, the lack of rigorous evaluation of effects is disturbing. The World Bank could usefully commission studies on the comparative long-term benefit of investment in microcredit versus, say, larger-business development.

It's also clear that the most important tool for ending poverty remains sound economic policy, investment in education (especially primary education) and good governance. Where economies

grow, fewer people are poor. In mismanaged nations, people remain stuck in poverty.

But the World Bank, which under James D. Wolfensohn has begun to champion microcredit, believes microcredit is one important strategy. The bank plans to invest \$200 million in the idea.

"Yes, you need robust economic growth, with investment in human capital," says bank Vice President Ismail Serageldin. "But even so, the poorest of the poor will benefit least and last." That's where microcredit can play a role.

Beulah Williams, a single mother of four, doesn't have any doubts. FINCA translated its "village banking" methodology overseas into associations here of self-employed women, one of which helped her shape a business plan and offered other support. She's repaid loans of \$1,500 and \$3,000, and the bank that spurned her has offered her a Visa card. Williams said she believes microcredit could help many women get off welfare.

Meanwhile, Williams is designing a line of school uniforms. "We're going to have to get our kids out of these brand-name clothes so they can focus more on their education," she says. "I'll be ready when that happens."

The writer is a member of the editorial page staff.

Community Development Grants Given

By Peter McKay

Washington Post Staff Writer

The Treasury Department yesterday awarded \$35.5 million to 31 community development organizations across the country, including one in the District, for projects that help residents of economically troubled communities start and develop businesses.

The Foundation for International Community Assistance (FINCA) in the District will receive \$450,000. FINCA is a nonprofit organization that provides business loans to low-income entrepreneurs in the Washington area and in Minnesota, where many of its directors live. In FINCA's program, which it calls "village lending," small groups of four to 10 entrepreneurs guarantee one another's loans, said Donna Fabiani, FINCA's U.S. program director.

She said FINCA already has about 10 such entrepreneurial groups in the Washington area and hopes to add 40 more here in the coming year as a result of the grant awarded yesterday. "It's a big jump," Fabiani said. "But we have big goals."

The Treasury grant program was developed as part of President Clinton's initiative to support private-sector efforts to create jobs and businesses in "distressed communities." The institutions receiving grants provide services that financial institutions typically don't in such areas—venture capital funding and loan funds, for instance.

Treasury Secretary Robert E. Rubin said at a news conference announcing the grants that by bringing new sources of capital to distressed areas, "neighbors can lend to neighbors right in their own communities."

In addition to the expanded lending FINCA hopes to do in the Washington area, the organization also will use its federal grant to make more loans in Minnesota and two yet-to-be-determined areas, Fabiani said.

In the Washington area, FINCA has "village" lending groups in the District's Adams-Morgan, Shaw and North Capitol neighborhoods, as well as in Alexandria, Fairfax, Wheaton and Gaithersburg. In the past year, FINCA has lent \$60,000 in the Washington area, with an average loan of \$900, Fabiani said.

SHIFTING TO GREEN TAXES: 5 COUNTRIES BEGIN

WORLD WATCH

WORKING FOR A SUSTAINABLE FUTURE

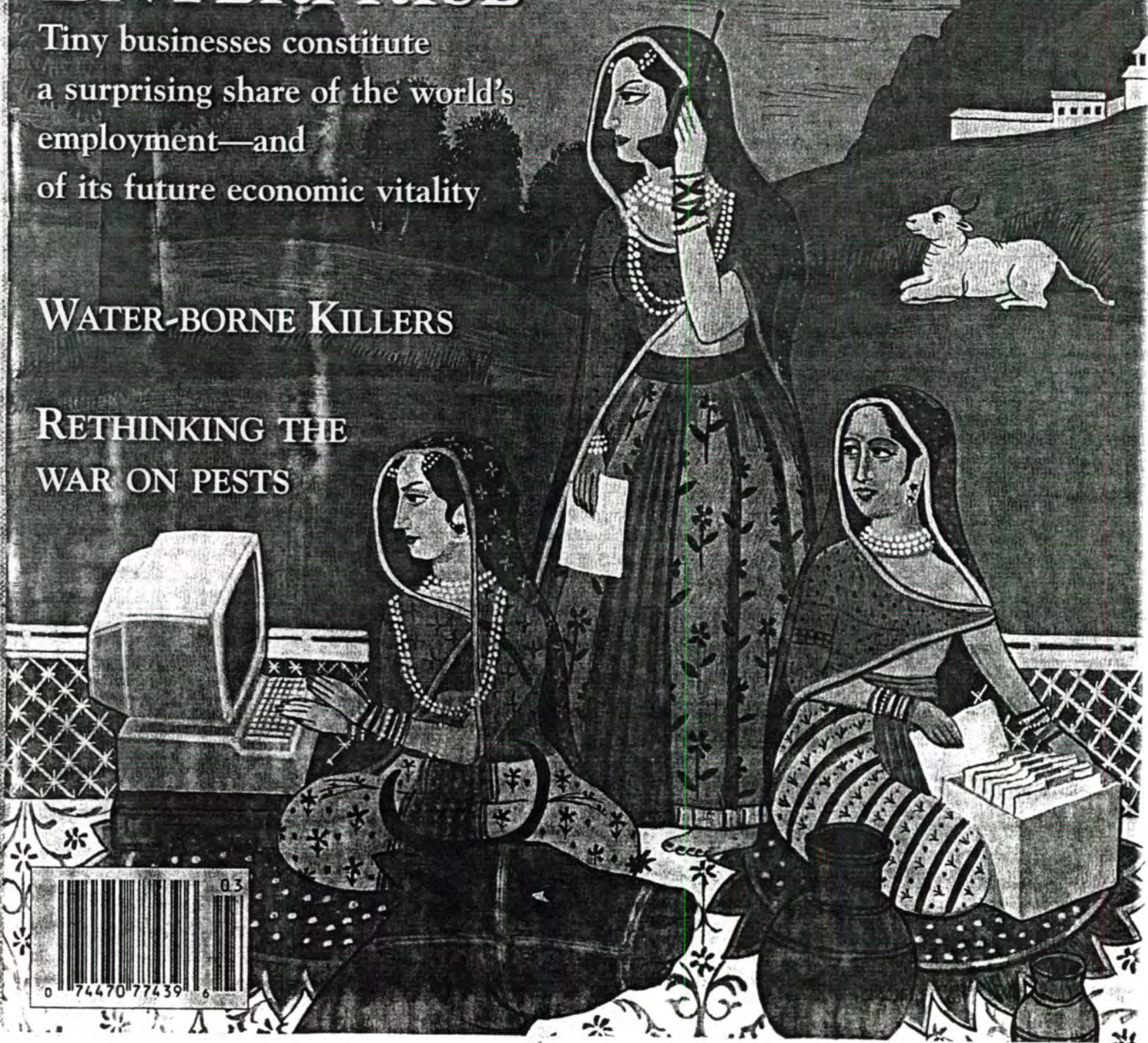
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MARCH/APRIL

MICRO-ENTERPRISE

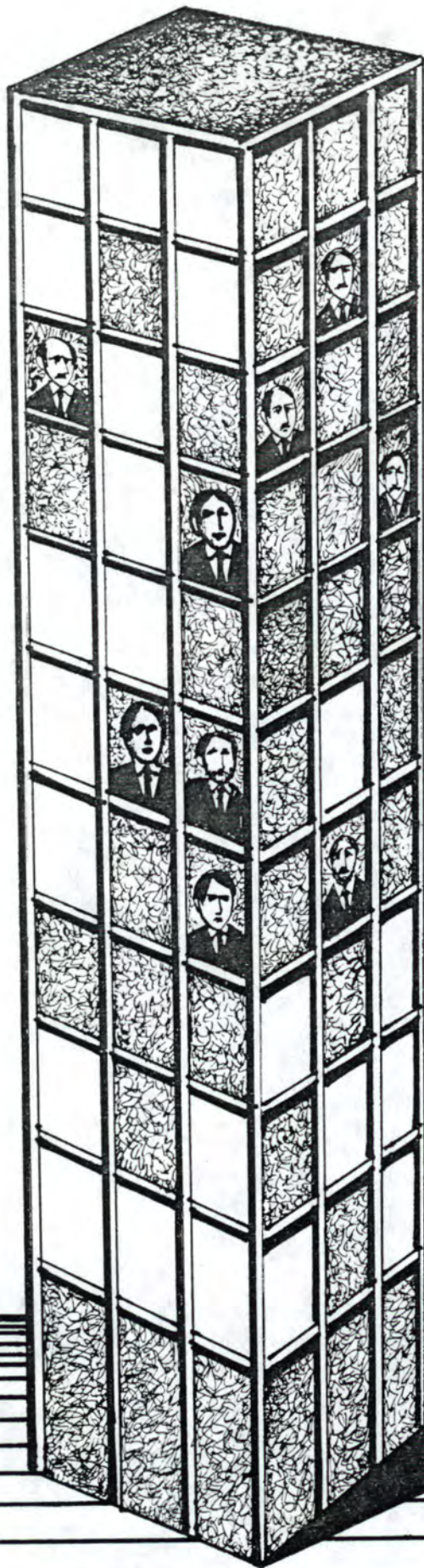
Tiny businesses constitute a surprising share of the world's employment—and of its future economic vitality

WATER-BORNE KILLERS

RETHINKING THE WAR ON PESTS



MICRO - I



ENTERPRISE



It is not big corporate or government employers, but millions of tiny one- or two- or five-person businesses, that will have to provide a large share of the jobs—and the critical ties to local community and ecology—that are so vital to the global economy.

by Hal Kane

The room did not look at all like the inside of a bank. There were no inch-thick security windows, no polished desks for the officers, or plush chairs for the clients, and no guards. Nor did the clients look much like the kind of people who apply for business start-up loans these days—no tailored suits or \$200 briefcases. And they didn't sit in discreet anonymity, waiting their turns for confidential appointments with the loan officer. Instead, they gathered casually around a large table.

There were six clients: all mothers and Spanish-

speaking immigrants to the United States. The loan officer, a 24-year-old administrator for a nonprofit group called the Foundation for International Community Assistance (FINCA), did not exhibit the smooth self-assurance of an experienced banker. She had never done this before, and it wasn't even her office—it was the cluttered, borrowed office of a local tenant's union. On the table, a plastic cover incongruously paraded a children's cartoon character. It was a Sunday afternoon in Alexandria, Virginia, and all the regular banks in the city were closed.

The "officer" invited the applicants to present their plans. The first, a woman named Rosa, explained that she had been running a child care business for five years, taking care of five children, 40 hours a week, for \$100 per child. She needed \$1,500 to buy toys, books, chairs, a table, and diapers so that she could expand her clientele. Another applicant, Sandra, explained that since most of the borrowers sold products like clothes, cosmetics, and business cards, it was important for them to receive loans before Christmas, so that they could buy more stock to sell during the rush season.

The paperwork had been done earlier. None of the applicants would have qualified for a loan from a conventional lender, but FINCA was not operating by conventional rules. Now, after each applicant agreed to assume a share of responsibility for the others, all six loans were approved. The meeting eventually ended with a celebration: food and drink and rounds of applause as each check was signed. With that, four new one- or two-person businesses—"microenterprises"—expanded, and two were born.

Outside the building, drivers passed by in their Toyotas and Buicks, unaware of the unusual transaction within. To a public accustomed to the idea that business ownership is something increasingly beyond the reach of ordinary working people, the chance of securing a startup loan without substantial collateral may be inconceivable. Yet such a chance—the chance to break the vicious circle in which poverty denies aspiring entrepreneurs the creditworthiness to work their way out of poverty—may be an essential

tool for reaching people who otherwise benefit little from the global economy.

What the fledgling loan officer was doing was part of a growing movement to extend business credit to the poor—whether in the villages of the developing world or the inner cities of the United States. FINCA's mission, which began 12 years ago in Bolivia, is to provide financial assistance to people who would be unable to get it through conventional channels—and to provide it in a way that lets new microenterprises get off the ground without either excessive risk of default or heavy reliance on charity.

These tiny enterprises contrast starkly, of course, with the companies most citizens of industrialized countries think of when we refer to "business." It is the large corporations that dominate much of our attention—in their omnipresent advertising, their lobbying and dealing with governments, and their performances on the New York or Tokyo stock exchanges. The world's 500 largest corporations, for example, control 25 percent of the world's economic output. Yet, they employ only one-twentieth of one percent of the world's population. It is with much smaller enterprises that most people make their livelihoods—many of them so small that even their own governments pay little attention to them.

By some measures, the real backbone of world commerce and global employment is made up of the millions of unsung small enterprises that farm small plots of land, cook food, provide daycare for children, make clay pots or straw mats by hand, do piecework for apparel makers, and carry out the countless

SELECTED VILLAGE CREDIT PROGRAMS, CIRCA 1993

	THAILAND Freedom from Hunger Foundation	THAILAND Catholic Relief Services	GHANA Freedom from Hunger Foundation	GUATEMALA Cooperative for American Relief to Everywhere	MEXICO Foundation for International Community Assistance	COSTA RICA Foundation for International Community Assistance	EL SALVADOR Save the Children Foundation
Start Date	1989	1989	1990	1988	1988	1985	1985
Number of Banks	11	13	10	9	38	153	100
Total Number of Borrowers	220	719	293	334	680	3,825	1,528
Percent Women	99.5	100	100	100	100	27	57
Repayment Rate (%)	100	100	100	100	92	98	52
Loan Maximum (\$)	300	300	NA	150	300	2,000	62
Initial Loan (\$)	60	60	NA	50	50	140	NA
Maturity (months)	6	4	NA	4-6	4	18-60	24-36

Source: Sharon L. Holt, "The Village Bank Methodology: Performance and Prospects," in Maria Otero and Elizabeth Rhyne, eds., *The New World of Microenterprise Finance* (West Hartford, CT: Kumarian Press, 1994): 156-84.

other tasks that larger businesses don't do. In the cities of developing countries, for example, a growing percentage of the working population—sometimes estimated as high as 50 percent—is engaged in microenterprise activity. In the seven countries of southern Africa, there is evidence that small, unregistered enterprises provide work for substantially more people than the “regular,” legal ones do. In Latin America and the Caribbean, more than 50 million microenterprises employ more than 150 million workers. Even in a wealthy country like the United States, more than a quarter of all employees work for establishments of fewer than 20 people, and those businesses constitute 87 percent of all U.S. business establishments.

The tasks these businesses perform cover the whole range of human activity, from the basics of housing and farming to the luxuries of entertainment and tourism. In many parts of the world, microenterprises frequently have only one employee—who is also the owner—or they benefit from the work of family members who are not really employees at all. In wealthy countries, many microenterprises may be larger, up to 10 or 20 people, for example, but still small in comparison to many of their competitors. But throughout the world, what most of these businesses do have in common is a lack of access to resources. They get little help from lawyers or accountants; often they are not able to afford retail space; many of them are not even legally registered as businesses.

As a result, many of these enterprises also lack the protections against excessively long hours, exhaustion, and injury or illness that larger or more officially regulated businesses are likely to provide. And much of the work is tedious and drab. In 1983, for example, Nobel prize winner Rigoberta Menchu described some part-time work done by her family and their village neighbors during her childhood in Guatemala. “We grow little beans but we don't eat them,” she wrote. “They all go to market . . . for us it's almost a day's walk to the town and . . . we have to carry our beans on our backs. I used to carry 40 or 50 pounds of beans or maize from our house to the town. We'd sell maize too when there was something we needed to buy When my mother goes to town, she shouts very loud to all the neighbors: ‘I'm going to market,’ and they say: ‘Buy us soap, buy us salt, buy us chile,’ and tell her how much she should buy This is how we sell things as well. Most people in our village make straw plaits for hats, or they make mats, or weave cloth, so at the weekend they get it all together for one person to sell.”

Meanwhile, the large corporations that have brought wealth to many parts of the world have failed to take that wealth to other parts—most notably to most of Africa and to large parts of South

and Southeast Asia. These companies will have to be complemented by another form of business, one that can succeed in the poorest nations. Microenterprises have been able to do this.

In part, this is because microenterprises are more flexible and mobile than most larger, more complex and building-bound businesses. They provide part-time work to women and men who also have to take care of families, and seasonal work in places where crops have to be harvested. They require little capital, office space, or startup time. They can thrive in rural areas, thereby slowing the rush to urbanization. Jobs in microenterprises are accessible to immigrants and disenfranchised people who need to moonlight or share jobs. And they are run by women at least as often as men, helping to reverse a pervasive global inequity.

Microenterprises also offer an alternative to the conventional strategy for bringing development to poor nations—making large loans to governments for massive power or infrastructure projects. Such project-oriented development has come under growing criticism from grassroots activists, who say the projects often benefit large contractors and central governments more than they help local people. More investment in smaller, local industries, they argue, could bring economic and social benefits at far less cost. Their view is reflected in an old Chinese saying, “many little things done in many little places by many little people will change the face of the world.”

CREDIT WITHOUT COLLATERAL

In recent years, some socially concerned lenders have begun to demonstrate that for people facing economic disaster, the need to feed one's family can be at least as strong an assurance of reliability as the fear of losing property.

An incident recalled by Ela Bhatt, the Chair of an Indian microcredit organization called Women's World Banking, demonstrates the point. “In 1975, when the bank was not taking many risks, a vegetable



One-quarter of world
economic output comes
from the largest
corporations, which
employ less than 0.05
percent of the world's
people.

vendor came who was under such economic pressure that she was absolutely desperate. Her husband was an unemployed textile worker, and he would somehow roam about and fill his belly each day, but it was a very difficult situation for her and her children. The bank decided to extend her a loan of Rs.50 (about \$5.50 in 1975 dollars), and someone went with her to buy green masalas like coriander, mint,

ginger, garlic, and chilies. That day SEWA (the Self-Employed Women's Association) cared for her children, who were sick and hungry. She earned Rs.6 profit selling the masalas that day, and she took home food that night. She continued building her business day by day, and the next week she repaid Rs.51. It was hardly any risk for the bank and it literally meant life or death

for that woman. After that we started extending those Rs.50 loans to many women."

The first major demonstration of this kind of lending came in Bangladesh, a country whose name was virtually synonymous with poverty, around 1978. A professor of economics at Chittagong University, Mohammad Yunus, began an experiment aimed at helping impoverished villagers. Defying the usual rules, he lent them unsecured money to start up small enterprises such as rice processing, rickshaw driving, and weaving. Instead of collateral, the borrowers would form small groups and agree to a pact of mutual liability—if one defaulted, the others would have to pay from their own profits. The participants in a pact often knew each other, which created peer pressure for successful repayment, and along with the compelling need for an income source in a place with few other opportunities, it produced a surprising result. After the first two years, Yunus found he was getting a payback rate of 99 percent. The experiment, by then officially the Grameen Bank, was expanded and has become legendary in the development world.

The Grameen prototype was widely watched, and by the mid-1980s, similar programs had been established by nonprofit aid organizations around the world. In Latin America, a nongovernmental

organization called Prodem had been serving as a traditional charity, receiving grants and donations which it had then parcelled out as loans to poor borrowers who started microenterprises. But in 1990, Prodem was changed into Bancosol—an institution that functions like a commercial bank insofar as it does not lose money on its loans and is even able to raise its own funds by borrowing on commercial financial markets and through the interest collected on past loans.

As it became clear that loans from organizations like Bancosol to small enterprises were getting successfully repaid, more charitable organizations followed suit—metamorphosing from grant-dependent bodies into independent financial institutions that do not rely (or rely as heavily) on outside aid. In Paraguay, for example, a nonprofit group called the Foundation for Cooperative Development has lent \$18 million to more than 15,000 microentrepreneurs during the past decade, creating nearly 20,000 jobs. One day last year, the Foundation offered \$150,000 worth of bonds on the securities exchange, to finance a new portfolio of loans to microentrepreneurs. The offering was sold out in less than 10 minutes.

Meanwhile, the Grameen Bank, with its two-decade track record to inspire investor confidence, recently sold \$163 million in bonds to six Bangladeshi commercial banks at annual interest rates between 4 and 6 percent—the first time the Grameen Bank had moved away from reliance on grants and soft loans from the International Fund for Agricultural Development and donor governments. In addition to the money from those bonds, Grameen officials, like the officials of other microcredit institutions, are reinvesting the money earned from past loans—a substantial sum, since interest rates paid by microentrepreneurs are commonly around 20 percent and payback rates frequently above 98 percent. Low-income people who would never have been offered loans by ordinary banks are now generating substantial profits for the Grameen Bank and other microcredit institutions.

Since the late 1970s, our understanding of what makes micro-lending succeed has improved to the point that the practice may now be on the verge of supporting a substantial portion of the world's smallest businesses. Two decades of experience have solidly confirmed the reliability of the high payback rates found by Dr. Yunus, which were eventually credited not only to the effectiveness of mutual liability, but to two other techniques he had used—

Micro-lenders have
achieved payback rates
of 99 percent, on
loan portfolios
conventional banks
would never touch.



externalizing credit-check costs, and offering support services to applicants along with the funding.

Externalizing credit-checks eliminated what had been considered a serious barrier to microenterprise lending by conventional banks—the expectation that the administrative costs of managing tiny loans could exceed the entire value of the loan. Community development banks found an ingenious solution: making the clients themselves do the legwork. When Yunus formed the Grameen Bank, he required each borrower to share responsibility for the loans of others within groups of five or six borrowers, in addition to the responsibility taken by the creditors. As a result, the loans had remarkably little overhead.

The support services include advice, technical assistance, and sometimes even the donated labor or equipment needed to make a venture succeed—all provided both by fellow members of a borrower's group and by representatives of the creditor. Some observers have come to believe that these services account for much of the success of microcredit—perhaps even more than the money itself. In the case of the Alexandria, Virginia group, for example, the borrowers did not speak English.

A FINCA representative

quietly coached one of the borrowers on how to spell s-e-v-e-n-t-y, so that she could write a check. (In other countries, many of the borrowers are illiterate and sign documents with thumb prints, since they cannot write their names.) And the members of the group often send each other clients, buy each other's products, and coach each other on how to take care of their money.

Moreover, much of the corruption that can be rampant in the underground economy of the informal sector is curbed by this lending structure. In the Grameen Bank, all transactions occur in the presence of group representatives and other colleagues. This transparency, coupled with an annual rotation of leadership positions at the center, reduces the opportunities for abuse of power.

With a now proven formula—shared liability, peer support, and low overhead all contributing to high payback rates—one microcredit institution now states in its promotional literature, "Collectively, these banks are rapidly evolving into a World Bank for the poor." Mohammed Yunus seems to agree; last fall, he met with representatives of other microenterprise groups to plan a microcredit summit to take place in Washington, D.C., in early 1997. The declared goal of the summit, he said, is to reach

100 million of the world's poorest families, especially the women



of those families, by the year 2005.

REACHING THE OUT-OF-REACH

In addition to reaching the disenfranchised 'poor' of the developing world, these small enterprises offer a growing value to the industrialized world. Many of the "inner cities" of the United States, for example, emerged from the 1970s scarred by riot damage and gutted by extensive middle-class flight to the suburbs—leaving the blighted core labeled off-limits by conventional banks. Aid to inner cities has been limited largely to such programs as food stamps, subsidies, and welfare, which may be essential but which some experts—including Harvard Business Professor Michael Porter—believe do not build a long-term base for economic well-being or growth. Inner cities may be fertile ground for microenterprise, however; Porter notes that inner city markets remain poorly

served, especially in retailing, financial services, and personal services—leaving abundant opportunities for new entrepreneurs.

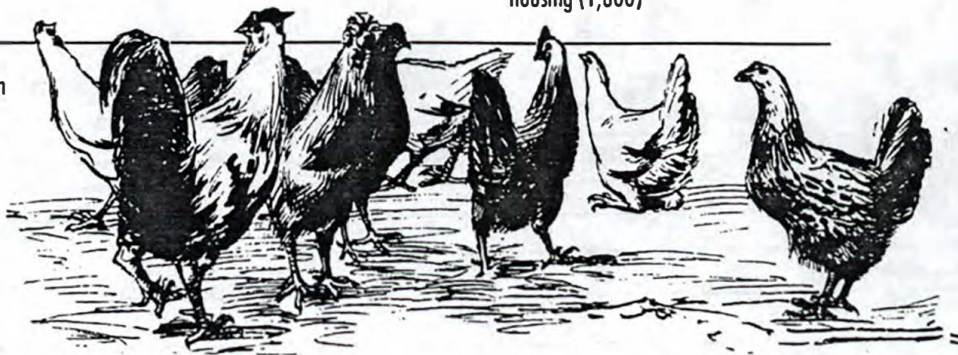
In Seattle, Washington, a microcredit group called the Cascadia Revolving Loan Fund has confirmed Porter's assessment by offering microcredit loans along with strong support services; it has given borrowers technical assistance on subjects ranging from accounting and employee benefit plans to marketing. In eight years, it has loaned nearly \$2 million and lost less than 1 percent of it. "That's competitive with traditional banks on a portfolio they wouldn't touch," says Cascadia's executive director, Patty Grossman.

It is not just unemployment, however, but a more pervasive change in the corporate jobs market, that is pointing the way to a stronger role for microenterprise. The change can be seen in several

LOAN RECORD OF ZAMIRAN

Loan	Repayment (months)	Amount (taka)	Amount (US dollars)	Purpose
1	6	1,000	\$30	cow fattening (600) paddy husking (400)
2	4	2,000	\$60	milk cow (1,900) chickens (60) ducks (40)
3	8	2,000	\$60	cow fattening (800) paddy husking (1,200)
4	8	1,000	\$30	goat rearing (500) paddy husking (500)
5	6	4,000	\$120	milk cow (2,200) housing (1,800)

The loan history of a Bangladeshi borrower from the Grameen Bank who, along with her husband, took out five loans. The first loan was used for two purchases. Zamiran bought a cow for 600 taka, which was then fattened and sold for 1,000 taka, enough to buy a tin roof for her house. Another 400 taka was spent on unhusked rice ("paddy"), which was then milled and sold at a profit high enough to repay the entire loan. The second loan bought a cow that produced milk for six months and was then resold at a profit, with the income used to mortgage a small piece of rice land—and so on. All loans were repaid on time, and the family, which ate one meal a day before borrowing the money, was able to eat three meals a day by the time of the last loan.



concurrent trends: greater reliance on temporary or contract work; the trends toward telecommuting and job-sharing; and a widely noted retreat from the old understanding that a job was a stable, long-term relationship like a marriage. Even in Japan, job security is no longer the almost inviolable bond between employer and employee it once was.

As industrial countries proceed down this path, in a sense they are following the job strategies of the developing countries, rather than the other way around. The industrial countries are developing more of the small, micro, and individual enterprises that have long formed the backbone of rural economies and poor nations—except that in the industrial countries, these small businesses are often consulting firms and independent contractors. As corporate mergers and consolidations shed traditional employees, much of the work they did is being done by these contractors or consultants.

These trends have been labeled “de-jobbing,” and according to writer Walter Truett Anderson, the process is proceeding at such a pace that many economists, management experts, and futurists are now talking freely about the “end of the job.” Instead of possessing a “job,” people will simply do work. The job, in fact, is a relatively recent social invention. As William Bridges notes in his book, *Jobshift*, “Before 1800—and long afterward in many cases—‘job’ always referred to some particular task or undertaking, never to a role or a position in an organization.” You might *do* a job, but you didn’t *have* one.

The effects of this shift are intensified by the growing mobility of the global labor force. In more affluent societies, people with marketable skills move freely from place to place. In the past, their work might have dictated where they lived, or vice-versa. Now, many people choose both. A chemical engineer who once might have had to live near Seacausus, New Jersey or Metairie, Louisiana, may now decide she wishes to live in the mountains of Colorado, while still working as an engineer. With a good modem and a nearby airport, she can.

Meanwhile, in more troubled parts of the world, the mobility driven by civil upheavals and environmental or economic disruption is producing a very different, though not unrelated, kind of reliance on independent enterprise. Immigrants, for example, may not be quickly welcomed into jobs in their host countries—and are forced to create places for themselves by being flexible and resourceful. Many resort to moonlighting, working part-time, and sharing jobs. In Eastern Europe, writes Anderson, such people become “hustlers, traders, independent manufacturers, freelance deal-makers.”

BIGGER IS NOT ALWAYS BETTER

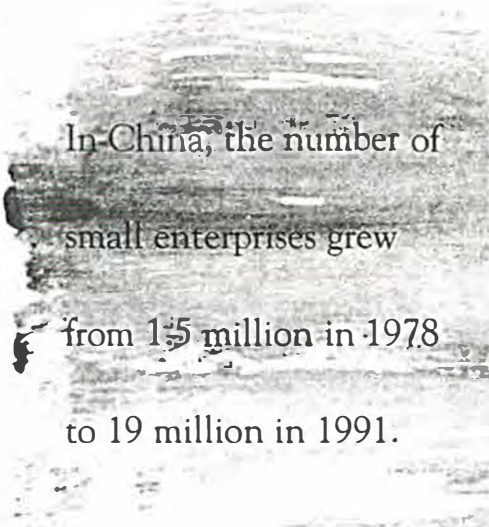
Though micro-enterprises offer an opportunity

to provide employment for groups of people not reached by large corporations, they are not suitable substitutes for all the functions performed by big companies. They cannot make medical equipment or aluminum, build large aircraft, or distribute fresh food to thousands of retail stores every few hours. They do not have the capital for large, long-term investments, so they usually can’t conduct research and development for new products, and they can’t exploit economies of scale.

On the other hand, it would be a mistake to continue regarding microenterprises as the poor cousins of the corporate world. For many tasks, small businesses may be better suited; they have the inherent advantages of high flexibility, lack of bureaucracy, and speed of decisionmaking. Very small businesses may also find more success in certain cultural settings than big companies do.

Some analysts argue, for example, that China is better suited to family businesses than to giant corporations. And in the late 1980s, when Chinese peasants were migrating to the cities in numbers large enough to alarm the government, Deng Xiaoping encouraged small towns and villages to start their own enterprises, creating jobs in the countryside so villagers could stay there. Owned by the local governments, these businesses usually employed fewer than 100 people, making anything from metal pails to silk rugs. Some of these undertakings were too large to be considered microenterprises, but were far from being big companies. Others employed just a few people. Yet by 1991, they were reportedly contributing about 30 percent of China’s GNP. The number of these countryside enterprises had soared from 1.5 million in 1978 to 19 million in 1991, creating about 112 million new jobs—and slowing the migration into cities.

In most countries, however, microenterprises have been neglected. They have not been rewarded with the subsidies, tax breaks, and other benefits often received by major industries as political spoils; rarely can they afford to participate in financing political campaigns, lobbying for favorable legislation, or, in some countries, establishing profitable relation-



In China, the number of
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ships with corrupt governments.

In the developing countries, the major flows of funding support have been historically oriented to large projects—hydroelectric dams, highways, pipelines, and mines. Only more recently has attention begun to shift to the development of “human capital”—the nurturing of educated and healthy people who can contribute to sustainable economic growth.

But little official attention has focused on the kind of small-scale entrepreneurship that could help to give such people more opportunities to use their growing capabilities.

Even so, some analysts believe that it would be a mistake to shift public assistance toward microenterprises; they argue that without first investing adequately in electricity and roads, few businesses of any size will thrive.

These analysts, such as Richard Rosenberg of the World Bank, also claim that the benefits to society that come from human capital investments like educating children are larger than those that will accrue from assistance to tiny companies, and that without growing investments in education, even microenterprises will suffer. Rosenberg strongly supports finance for microenterprise when funds are available, but argues that the funds should not come from spending on other more urgent programs, such as developing higher levels of literacy.

Critics also note that even where small businesses have received strong support, they have had a mixed history of success and failure during the past quarter-century. Many microenterprise development schemes emphasized supplementary, part-time income instead of full businesses, and not enough income was earned to support families or to give women more say about how money would be spent in their households. As a result, they did not improve women's status in the labor market, or expand their opportunities.

A key to making microenterprises a legitimate path for development in the future will come with the kinds of changes—in financing, support services, and public policy—that allow these activities to operate as full-fledged personal, family, or small-group

businesses rather than just supplementary crafts grafted onto existing livelihoods. In this regard, the pioneer microcredit banks have made an important breakthrough. More recently, both the World Bank and the Inter-American Development Bank have decided to allocate funds for microcredit. The World Bank pledge has been set at \$200 million.

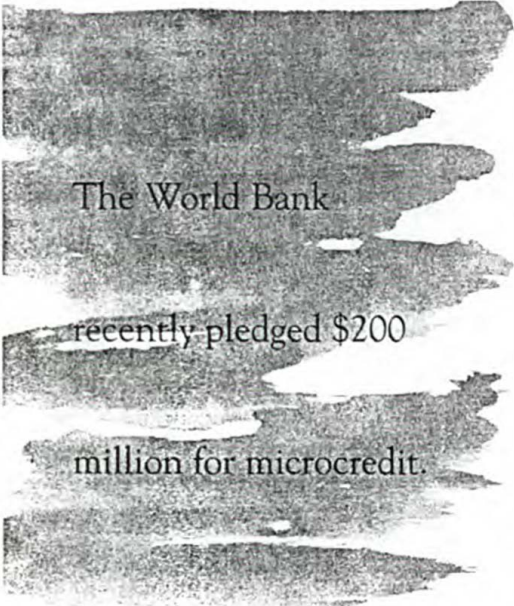
In an era when governments are financially strapped all over the globe, the prospect of securing much stronger public support for microenterprise development might seem remote. But the big development bank decisions illustrate a unique quality of this kind of development that could give it a critical boost. Microenterprises have a strong potential appeal to both conservative and liberal politicians.

For liberals, there is the opportunity to help disenfranchised people—women and the poor—to thrive. There is the appeal of enabling people to work in ways that give expression to their individuality, rather than as cogs in a large industrial machine. And, perhaps most appealing, there is the thought that microenterprises give the worker a closer look at the meaning of his work. If he is a farmer, for example, he is likely to be closer to the land than if he is an employee of a large agribusiness firm; he is more likely to have to work personally with the complexities of local soil, weather, and water, and to be more knowledgeable about what practices are sustainable.

For conservatives, there is the opportunity for disenfranchised people to make their way out of poverty by virtue of hard work instead of charity. There is the claim of some analysts that development loans would produce better results if, instead of being directed to governments, they went straight to private industry, including small industry. And, finally, there is the possibility of taking moral pressure off corporations that are laying off large numbers of employees, if it can be said that those ex-employees now have ample opportunities to live their own lives as independent small businesses or contractors. The World Bank and IAD Bank decisions may reflect the influence of such thinking.

Whatever their origin, the development banks' entry into finance for microenterprises can be seen as a momentous endorsement—not of microenterprise as a substitute for infrastructure projects or for children's education or public health, but as an important complement to those needs. No longer stigmatized as a “backward” kind of business, to be rolled over by the juggernaut of large-scale modern development, microenterprise has the potential to be not only a very productive, up-to-date kind of business, but one that may well prove vital to the long-term sustainability of human economies.

Hal Kane is a co-author of Worldwatch Institute's *State of the World 1996*.



The World Bank

recently pledged \$200

million for microcredit.

MICRO-WORLD

Of the 30 typical families from 30 countries profiled in *Material World* (see the review on page 37), 13 earn their income either from microenterprises or from a combination of microenterprises and subsistence work. That is about equal to the number who work as employees. (Several families, such as those in war-disrupted Bosnia or economically depressed Cuba, had no identifiable occupations.)

Eight of the families work in various kinds of small-scale farming, including six who grow cereal grains or buy grain in bulk to resell for profit; thus one-fifth of the people in this informal cross-section of the world's workers do some kind of work involving grain. The microenterprises mentioned are:

ARGENTINA

Juan Carlos Carballo, 42, and his wife Marta Elizabeth Iniguez, 31, do photography; she does video, he does stills. They own their own processing equipment and work out of their home.

BHUTAN

The Namgay family (14 members of three generations, ages 2 to 61), who live in a 12-house village an hour's hike from the nearest dirt road, farm four strips of terraced mountain land—one each of wheat, rice, potatoes, and chilies.

CHINA

The Wu family of Yunan province raise fish (carp), vegetables (onions, scallions, coriander, cabbage), and pigs, all of which they sell at the Sunday market in the village of Shiping. They feed the pigs with water hyacinth gathered by hand from a nearby lake, and fertilize their crops with manure from both the pig sty and the family outhouse.

ETHIOPIA

Getu Mulleta, 30, grows teff, a cereal grain. He uses an ox-drawn plow for the planting, and a pail to fetch water for irrigation. His family separates the grains from the husks by walking cattle over the grain. Getu's wife, Zenebul Tulu, 25, tosses the seed in baskets to let the chaff blow away.

GUATEMALA

Lucia Sicay Choguaj, 25, grows green onions and sells them at a market in Solada, the nearest big town.

Santos Perez heads an artists' cooperative in the Mayan village of San Antonio Palopo, producing brightly colored religious paintings.

HAITI

Madame Dentes Delfoart, 40, sells sugar cane and millet from her family farm, carrying it to the market in Maissade on her head. Her husband, Dentes, 54, "makes what money he can."

ICELAND

Margret Gunnlaugsdottir, 42, has a thriving business in custom millinery—making hats for women.

INDIA

Mishri Yadau, 25, walks to the village of Ahraur to sell rice grown by her husband Bachau Yadau, 32, and his father.

ITALY

Fabio Pellegrini, 45, writes books to supplement his job as a teacher.

MALI

Soumana Natomo, 39, buys rice in bulk, then resells it to local villagers.

MEXICO

Ambrosio Castillo, 29, moonlights as a freelance welder. He has equipment set up at his house in Buenos Aires, a former squatter's camp that has become a settled district of Guadalajara.

SPAIN

Jose Maria de Frutos, 25, is a taxidermist. With a shop in the basement of his apartment building, he stuffs and mounts trophy birds for hunters.

THAILAND

Boontham Kuan Kaew, 39, and Bourphet Kaew, 36, grow rice in a field they own adjacent to their house in Ban Muang Wa.





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GLOBAL REPORT

A CAPITAL IDEA

Give a Poor Woman a Fish? No. A Fishing Pole? No. A Loan? Yes.

By Sheila Tefft

Staff writer of The Christian Science Monitor

BEIJING

ALICIA PAUCAR TAPIA knows the power of a \$100 loan to buy a poor woman a sewing machine.

Three years ago, the veteran Nicaraguan aid worker overcame economic aftershocks of a civil war, government skepticism, and male resistance to a bank that grants small loans to aspiring women entrepreneurs in Managua's slums.

The program is part of a hot trend in economic development known as "micro-credit."

Micro-credit, or small loans to the poor to help them earn on their own, is in vogue as cash-strapped governments cut poverty aid, socialism gives way to capitalism, and the growing ranks of jobless worldwide seek new ways to survive.

This month, the UN Fourth World Conference on Women in Beijing was abuzz with an idea that has proved to be one of few success stories in fighting poverty.

The idea of micro-credit represents a major shift in helping uplift the world's poor. Frustrated by the failure of large loans and projects to ease destitution, Western governments are trying to find ways to get funds directly to the poor, in hopes of bypassing bureaucrats.

"I had worked with many [nongovernmental organizations, or NGOs], always giving out small charity grants that never amounted to much. I was frustrated because I just felt like I never really helped people get out of poverty," recalls Ms. Paucar Tapia. "I realized that what people need is not charity. What they need is to feel part of the system."

That first bank has now grown into a network of a hundred, and plans are under way to expand to 380 banks nationwide. But halfway through a three-year, \$1.5 million United States Agency for International Development (AID) grant, International Foundation for Community Assistance, a private aid group known as FINCA, worries that planned US funding cuts could hurt the infant banking network as it nears self-sufficiency. The group is financially backed by the AID, Rotary Clubs, and some European governments.

"Eventually, we want to survive on our interest income. But now we still need seed capital," says Paucar Tapia, an economist who works with FINCA, which also hopes to eventually raise money from commercial banks. "What we are concerned about is sustaining the program when the donations end."

An alternative for the West

Even in developed countries like the United States, micro-credit is seen as a politically viable alternative to welfare and unemployment that has gained credence in recent years.

"As options for public and private employment have narrowed ... everyone wants to have some say over their work," says Marie Wilson, a pioneer in micro-financing at Ms. Foundation for Women. "We know [the US] is never going to be able to create enough jobs again."

The micro-credit method of helping poor women help themselves was pioneered almost two decades ago by Muhammad Yunus, a politically savvy economics professor from Bangladesh. Mr. Yunus was honored at the Beijing conference and even shared a podium with Hillary Rodham Clinton, an enthusiastic supporter.

In a program that has since been used as a model worldwide, Yunus's Grameen Bank has shown that targeting women with small loans used to buy a cow, open a food stall, or launch a fishing boat is the best way to help a poor family.

While studies in Asia and Eastern Europe show that men tend to squander loans on drinking and gambling, women boast repayment rates of almost 100 percent when borrowing at market rates lower than extortionist interest charged by local moneylenders. Given enough financial support and time to develop, most Bangladeshi village banks have become self-sustaining in five years, advocates say.

"All we can do from our side is make credit available," says Yunus. "We say, 'We cannot change the world for you. But if you want to change the world, here is the money to help you do it.'"

Capital Idea: Loans to Poor Women

"We have demonstrated that low-income women are the best credit risk in the world," says Nancy Barry, president of Women's World Banking in New York, a small loan specialist with affiliates in more than 40 countries.

Although micro-credit currently reaches less than 2 percent of the world's 550 million poor, Ms. Barry, a former World Bank official, hopes to encompass 100 million poor women, half of the world's total, within the next 10 years.

To do that, she says, governments would need to commit 10 percent of total development aid to micro-lending organizations for seed capital, up from 2 percent currently. The money would be repaid as village banks loan enough to develop economies of scale and are eventually able to raise funds from commercial banks. "The beauty of this is that it pays for itself," she says.

But expanding what are still small programs into a massive global initiative faces obstacles. Experts caution that micro-financing cannot be the panacea that some advocates hope for. While institutions like AID and the World Bank have jumped on the bandwagon, funding shortages will prevent aid-fatigued governments from making a huge commitment.

Since 1988, AID funding for small-scale lending has jumped to \$140 million from \$50 million. Currently, two-thirds of borrowers are women, up from 35 percent seven years ago. But micro-financing still represents only a small portion of the agency's \$7 billion budget and could lose momentum next year as AID faces possible budget cuts of up to 40 percent.

Women's activists are also at odds over the idea. Critics argue that credit programs cannot supplant more traditional aid for housing and education. The focus on small enterprise downplays the huge financial needs still facing women, they say.

At the women's conference, delegates from Africa and other developing countries have pushed for more funds to implement the "Plan of Action" now being drawn up at the conclave. But they have met resistance from Western donors who say the money just isn't available.

Micro-credit programs are "on a steep learning curve and will get significantly bigger over the next few years," says Beth Rhyne, head of Micro-enterprise Development at AID. "But it won't be the panacea for economic development."

As NGOs focusing on micro-credit have cropped up and grown, they have often encountered skepticism from governments and international institutions, advocates say. For example, in some countries like Bolivia, private groups are not allowed to collect deposits, a key step in building larger micro-financing programs that can stand on their own without subsidies.

This summer, the World Bank, which traditionally lends to governments, launched a \$200 million micro-financing initiative through private organizations and special banks for the poor. The program was applauded as long-overdue recognition of this global lending force and the private organizations that are shaping it.

But bank critics contend there is still resistance within the staid institution, which is more comfortable dealing with governments than with grass-roots groups. In a

recent report, the International Center for Research on Women in Washington, has criticized the World Bank for a reluctance to abandon its traditional emphasis on policy, rather than projects. The bank also has stuck to the belief that "women are not productive, that the things that women do do not contribute directly to economic growth, and that's wrong," says Mayra Buvinic, president of the research institute.

More talk than action

Despite World Bank rhetoric, there is little funding for micro-credit and a limited emphasis on women. "In fact, they should be paying more attention at a time when the [budget] pie is shrinking because this is an efficient way to deal with poverty," Ms. Buvinic adds.

"It is very difficult to get the World Bank to provide resources because the bank works through governments, and most governments are not good at providing credit," says Lawrence Yanovich of FINCA.

Minh Chau Nguyen, the World Bank's manager of gender analysis and policy, rejects the criticism as a red herring and says the bank is moving cautiously because of a shortage of micro-lenders that can handle expanded programs.

In trying to develop more viable private micro-credit organizations, the bank is pushing them to tighten up financial accounting, improve its financial management, and separate banking from social-welfare projects. Despite the bank's measured approach, she says "it comes out loud and clear that these intermediaries are the prime force in poverty reduction in the near term."

ILENE PERLMAN



MAKWANAPUR, NEPAL: A project director (r.) for PLAN International, a US-based private aid group that helps women, talks with a Nepalese farm worker about her area's economic needs.

Entrepreneur

THE SMALL BUSINESS AUTHORITY

SEPTEMBER 1995

BUSINESS BEAT

Friendly Financing

Neighbors lend more than a helping hand.

FOUR CAN BE a powerful number. Just ask Donna Fuller, Barbara Stone, Cindy Kimber and Robin McNamer (left to right below). These Minnesota women, known as the Bemidji Four, are empowering themselves and each other, thanks to Northland Neighbors Lending Association, formed with the assistance of the Minnesota office of the Foundation for International Community As-

through a peer lending and support group. Associations tie the loan into savings programs and provide participants with business assistance ranging from marketing tips to help projecting cash flow.

"What I like about the lending association is that I don't feel intimidated asking what I might perceive as a stupid question," says McNamer, who owns a jewelry design and repair business. "It's become a bonded group, and we aren't involved just on a business level. We get together after meetings. We also offer each other a lot of support."

The Bemidji Four consists of McNamer;

Business and pleasure:

A local lending association gives the Bemidji Four a lot more than money.

Donna Fuller, who retails women's clothing and does personal shopping for an upscale cli-

entele; her sister Barbara Stone, who converts photos to cross-stitch patterns; and Cindy Kimber, who creates handcrafted products from dried plants and flowers.

"We target individuals starting or operating very small businesses or micro enterprises and give them the opportunity to receive loans, build a personal savings account and receive technical assistance," explains Tracy Troke Thompson, head of FINCA Minnesota. The program offers members loans of \$100 to \$6,000

The Northland Association has grown from its original four-woman nucleus to 30 members, and its success is spurring the establishment of other sites. —Cynthia E. Griffin



PHOTO © JOHN MERVIC

PREGONERO

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Washington, DC ■ Maryland ■ Virginia

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Otorgan préstamos a nuevos empresarios

Gracias a micropréstamos otorgados sin mayores requisitos, Pamela Smith promoverá su guardería, Vivian Smith afianzará su negocio de muebles en miniatura, Marina Mendoza expandirá su boutique, Rodney Smith iniciará un negocio de órdenes por correo, Keran Dyer pondrá un gimnasio y Manuel Carela una empresa de construcción.

El anuncio lo hizo el pasado domingo durante una ceremonia. Marlene León-Lattimore, flamante dueña de la nueva compañía MML Enterprises, que presta servicios de tarjetas de negocios, preparación de resúmenes y servicios de traducción médica.

León-Lattimore, presidenta de Visiones de Triunfo — asociación formada hace tres meses por los nuevos empresarios — planea usar su préstamo para comprar una impresora a color.

Esta promoción de empresarios es fruto de un trabajo conjunto de la Corporación Latina de Desarrollo Económico (CLDE), con oficinas en Adams Morgan, Washington, y la Fundación para Asistencia Internacional Comunitaria (FINCA).

ayado por diversos ban-

cos, FINCA permite la canalización de créditos a pequeños empresarios. Los micropréstamos oscilan entre \$100 y \$6,000, para asistencia técnica y plan de ahorro a empresarios de bajos ingresos en toda el área que no tienen acceso a las fuentes tradicionales de financiamiento empresarial.

Tradicionalmente, FINCA, una organización sin fines de lucro, ha dado préstamos y otros servicios a pequeños empresarios en 14 países. Recién en 1992, decidió enfocar sus esfuerzos en comunidades en desventaja de los Estados Unidos. Para esto, se ha aliado con organizaciones como la CLDE y el Comité de Inquilinos y Trabajadores de Arlandria, en Virginia.

En el área de Washington y Baltimore, ya existen 11 asociaciones tipo "Visiones de Triunfo". De 75 miembros, el 83 por ciento son mujeres.

La CLDE tiene como fin promover el crecimiento sostenido del desarrollo económico comunitario a través de negocios, vivienda, recursos humanos y ambientales en beneficio de la comunidad latina y los residentes de bajos y moderados ingresos del DC.



Marlene León-Lattimore agradece a Leslie Tyler, de FINCA, por el préstamo para comprar una impresora a color. (Foto/Cortesía Jean Johnson).

San Francisco Examiner

7/10/94



'In the bank, I have friends. We talk. We share our struggles,' says Maria Lillian Martina de Cruces.

Village Banking puts trust in the poor

JULIE S. HUFFAKER SPECIAL TO THE EXAMINER

SAN SALVADOR — "I never stole a single egg. *Nada*," Maria Lillian Martina de Cruces says as she leads the way past four empty, rusted oil drums to the parched, dusty yard in front of her house.

Rocio del Carmen, 3, and Oscar, 4, run and hang from their mother's skirt while Catalina hands her the baby. Dontilo Atasar, 6, and

Rita Marisol, the 8-year-old, come off the porch with two peeling wooden chairs and set them down in the dirt. Rita wipes the seat of each with the thin hem of her pink dress.

"But the farmer, he believed I did and moved the chickens away."

Maria became tirelessly resourceful. She stretched rice as far as she could, mixing it with orange leaves. She brewed a natural anti-

biotic from *chichipinze* plants to keep her children healthy.

"I started washing clothes, working in other people's houses. I prayed God to stay and look after my children."

She apologizes for not offering water. This is the dry season in El Salvador, worsened by the relentless deforestation of war and indus-

[See BANKING, B-4]

EXAMINER PHOTOS BY ELIZABETH MANGELSDORF

◆ **BANKING** from B-1**Village banking
puts trust in poor**

try. A pipe truck, she explains, drives off the road every 22 days to fill the oil drums at 4 colones apiece. He will come again next Tuesday. Just now, there is none.

"I have felt very isolated," Maria says as she rocks the baby.

Without collateral, Maria's only borrowing option was a money lender charging interest rates higher than 18 percent a day. Her husband? *Borracho*, she says; he stumbles down the path drunk every once in a while, sometimes bringing oil or corn.

Then a woman in the market told her about Los Olivos Poniente, the women's bank that meets by the railroad tracks.

"I joined," Maria nods, "and bought the corn to make tortillas."

With her initial \$50 loan, Maria also sent Angel Enrique and Jasmine back to school. In El Salvador, students must wear shoes to progress beyond seventh grade. Angel, Jasmine and their mother are the only family members in the yard who wear them.

In this relatively remote area, tortillas didn't yield the kind of revenue Maria needed. A born marketing analyst, Maria identified her customer base: a gang of construction workers starting a project a mile away. Knowing they had disposable income as a result of regular work and figuring they

would want refreshment, Maria got up early and took a bus to market to invest in cool, sweet *sandia*. She now buys — and resells, by the slice — two or three of the large watermelons a day.

Money in melons

"I make 12 to 18 colones in profit for every three *sandia*." Eighteen colones translates to a little over \$2. This income feeds the nine young ones who still live with her, pays her weekly loan installment and buys more *sandia*.

Praised for being market-smart, Maria becomes serious.

"I have suffered," she responds.

At the beginning of her second loan cycle, daily life is still an uphill battle. But the bank helps her with another resource — weekly meetings that provide a point of contact with other women.

"In the bank," she says, "I have friends. We talk." She pulls the baby closer to her breast, "We share our struggles."

Laid waste by a vicious, 12-year civil war, much of El Salvador — ranking 54th among the world's poorest nations — now looks to foreign aid from the United States and Western Europe for revival.

In the country, John Hatch is attacking the problem with missionary zeal, but John Hatch is no ordinary missionary. He trusts the poor, and he means business. Armed with a Ph.D. in international economics and a wry sense of humor, Hatch is spawning banks as fast as he can fund them and

leaving cadres of tenacious, agile businesswomen in his wake.

"The model we're using was born in the air between Lima and La Paz, over a double bourbon," the wiry Hatch recounts from the stone patio behind his home in the exclusive, well-kept Colonia Escalon neighborhood of San Salvador.

"I was on my way to Bolivia in the early 1980s to work with U.S. AID on a development project in the Andes," Hatch says. "I didn't actually read the grant until that last leg of the trip but when I did, I was appalled. Given what I knew about Andean culture, the program couldn't work. And it left participants with nothing of their own to build on."

Hatch shakes his head.

"I didn't buy into the proposal at all, but knew if I couldn't make something happen, I was going to have to pay my own way back to the States, which I couldn't afford."

The flap and cry of wild parrots is heard overhead, the sky above this lush garden overcast by the birds' daily 5 o'clock trek inland.

"So I ordered the double bourbon, pulled out my calculator and started to brainstorm."

Before his plane touched down, he had designed a creative alternative: a microlending structure that gave rise to the village banking model he promotes today.

"The earliest days of the program were magic. We'd fill the beds of our American-made pickups with Bolivianos, (the country's cur-



EXAMINER/ELIZABETH MANGELSDORF

Transactions at *Mujeres en Acción*, a village bank, are recorded in a old-fashioned ledger.

rency), mounds of them. The guys drew straws to decide who got to ride in back and hold the currency down. The rural village women sprinkled alcohol and confetti on the money, they waved incense over it.

"To combat inflation, which in those days was about 2000 percent a year, we told each person they were eligible to borrow currency equal to the going rate for a sack of potatoes. When the loan came due, they owed us an equivalent amount — enough to buy that same sack of potatoes."



With a loan from La Divina Providencia bank, Rosa Elena Aguiñada de Miranda, left, with daughters Gladys Andrea and Cristina Olivia, built a brick business.

Increasing sophistication

Today's village banking model is much more sophisticated. Each bank selects its own members, elects leaders and prepares its own by-laws. A group loan capitalizes the bank, reaching bank members via individual loans.

Each borrower uses his or her loan to finance self-employment activity — pounding spices, gluing paper bags, mixing homemade soft drinks — that generates daily income. Weekly, a portion of sales are re-invested in the business, a

portion is used to enhance family welfare, and the balance pays the borrowers' weekly loan installment plus a voluntary savings deposit.

At the end of the 16-week loan cycle, after all individual loans are repaid, the village bank repays its total group loan with interest. Upon the successful completion of the cycle, each bank's total credit line has been increased by an amount equal to their accumulated savings.

Hatch, who speaks fluent Spanish with only the slight wrangle of a gringo accent, first expanded the program in Latin America. He then moved into the Caribbean and West Africa, bringing village banking to a total of 12 countries. Coining an acronym after the Spanish word for farm, Hatch called the program FINCA: the Foundation for International Community Assistance.

In 1986, Hatch threw another wrench in the works of traditional banking. FINCA announced its intention to focus lending on women.

"This was a convergence of two major factors," Hatch explains. "First, the empirical experience was irrefutable. Hands down, women were proving to be more responsible as borrowers and bank leaders than men. Secondly, FINCA is about alleviating severe pov-

"Who are the primary victims? Children. Our focus on women was the result of a growing conviction that the fastest way to affect the welfare of children was through aid to their mothers."

After demonstrating that increases in income and self-esteem among Mexican women led to better health, nutrition, educational status and housing for their children, FINCA received a 1991 grant from U.S. AID to bring women's cooperative village banking to El Salvador.

"These women are industrious, creative, and savvy," Hatch marvels. "We're not in the business of giving handouts in the typical development tradition."

He takes another sip off his Salvadoran Gallo beer, leans back and throws his hands up to the sky. "What these women need is capi-

tal."

Brick builder born

"First," Rosa Elena Aguiñada de Miranda points toward the tall, spindly frame structure encrusted with dried clay, "I built my oven."

Her speech is matter-of-fact and fast. This small square of land was already hers, from her mother. Everyone knows, she says, how good the earth around Santa Lucia is for making bricks.

"But after I built the oven and bought a mold, I had no money left."

The two young women in straw hats, standing up to their knees in the wet mixture of white sand and thick gray clay, begin to grin. Rosa Elena points to them next.

"Cristina Olivia and Gladys Andrea, my daughters. My family had no income, so I put them all to work."

Rosa Elena, a founding member and current president of La Divina Providencia village bank, has eight children and 17 grandchildren. After 1½ years, her operation turns out perfectly molded adobe bricks like clockwork: 7,000 every 15 days.

Rosa Elena sells her bricks to a variety of contractors and individuals around the city of San Salvador. Wholesalers are beginning to seek her out.

At first, the women of her village were afraid to receive loans.

"The *promotora* had to come and find us in our homes," Rosa Elena remembers.

And on the Friday that initial loan funding of \$3,000 was delivered to inaugurate the Divina Providencia bank, many of the new bankers burst into tears.

"We were terrified. We had never seen so much money in our whole lives. How could we ever hope to pay it back?"

FINCA's El Salvador program, involving more than 30,000 village bankers, boasts an astonishingly high payback rate. A system of "moral collateral" holds each banker accountable for the debt of the whole, no new loans can be issued until those outstanding are repaid.

Averaging well above 99 percent and reaching 99.9 percent in the central and eastern departments, the most heavily militarized during the war, this rate is better than most private banks enjoy in the United States.

The clients of village banks, however, get far more for their money. At meetings, women trade marketing tips, business management training and encouragement.

"My decisions are respected at home," one woman says.

IN THE SAN FRANCISCO AREA, there are a number of businesses contributing to FINCA's work in Central America. Peet's Coffee & Tea at Laurel Village and West Portal, Seattle Street Coffee, Spinelli Coffee Co. Inc., Top Banana Produce and Holland Coffee Inc. all support the U.S. program Coffee Kids, a substantial donor to FINCA banks in coffee-producing regions. Visit any one of these businesses for more information, or call: Coffee Kids (401) 331-9099, or FINCA international (703) 836-5516.

need - Not there; Not saying not no fool only

①

**FIRST HILLARY RODHAM CLINTON
REMARKS TO THE MICROCREDIT SUMMIT
WASHINGTON, DC
FEBRUARY 3, 1997**

[Acknowledgements: Queen Sofia; former Prime Minister of Japan Tsutomu Hata; distinguished Heads of State; RESULTS Educational Fund; members of the organizing committee; four major sponsors from the private sector: Citicorp Foundation, Charles Stewart Mott Foundation, MasterCard International, Monsanto Fund; and other generous sponsors]

It is a privilege to be here with so many old and new friends for what is truly an historic occasion. Microcredit is a subject near and dear to all of our hearts. This first global summit offers an unprecedented opportunity to draw attention to the successes of microcredit in developing countries as well as its applications in advanced economies around the world. By bringing together experts from every continent, we will be able to learn from each other's challenges and achievements and apply those lessons within our own borders. And I hope that this conference will engender new understanding of microcredit and its potential to transform the lives of individual men and women, their families, their communities and their nations.

too negative [Although it's called "micro," microcredit is really a "macro" idea. Whether we are talking about a rural area of South Asia or an inner city in the United States, a war-torn region of Africa or a place devastated by natural disaster in Central or South America, microcredit is an invaluable tool in alleviating poverty, promoting self-sufficiency and stimulating economic activity in some of the world's most destitute and disadvantaged communities. *then coming Arkansas and I were involved in the creation of...*]

modeled after I first learned about microcredit more than a decade ago when my husband, ~~as Governor of Arkansas, set up~~ the Good Faith Fund. It was one of the earliest attempts at microcredit in this country and was ~~financed by~~ the South Shore Bank in Chicago. Muhammad Yunus met with us and offered advice as the project got off the ground. Within a few years we could see that this revolutionary concept -- ~~so anathema to conventional thinking about finance and economic development~~ -- not only could succeed but could do so in diverse cultural and geographic settings.

concepts

What we discovered in Arkansas is that the ~~principles~~ -- if not the details -- of Dr. Yunus' Grameen Bank in Bangladesh had universal relevance. For us, the key was to apply those principles in an American context.

Now, more than 10 years later, we can look around this room and appreciate the power of one man's vision. And we can celebrate the courage and dedication it has taken -- on the part of

all of you here today -- to challenge conventional wisdom and remain faithful to the notion that providing credit to women and men on the margins of society can reap economic and social benefits for us all.

I am especially pleased to tell you that microcredit is a growing phenomenon in the United States. Just last week the President, joined by Treasury Secretary Bob Rubin, presented the first Presidential Awards for Excellence in Microenterprise Development. The awards recognize efforts within this country to extend credit and economic opportunity to Americans who might otherwise lack the chance to become economically self-sufficient. The awards also underscore the ripple effect that microcredit projects can create -- not only in lifting people out of poverty and moving mothers from welfare to work, but in creating jobs, promoting businesses, and building capital in depressed areas.

The federal government is also promoting microcredit through the Small Business Administration's microloan program, a public-private partnership, which has awarded \$70 million in grants to non-profit organizations, with nearly half of those loans going to women. The loans range from \$125 to \$25,000.

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

As he said last week at the White House, there are millions of people in our country brimming with initiative and desire who are willing to take responsibility and work hard. But they need what I often call the "tools of opportunity." And one of those tools is microcredit. For a farmer whose livelihood has been undermined by bad luck and bad weather, an inner city parent who is trying to balance a night shift in a factory with family duties, a mother who has been exiled from the workforce path to the economic mainstream.

Later today, I will have the chance to visit a microcredit project right here in Washington, DC. Called FINCA USA, it is the American version of FINCA banks and self-employment associations that exist in many other countries. And I'm very excited to hear about the ways in which members of the local community have joined together to support each other's entrepreneurial efforts.

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

I have seen this for myself at microcredit projects in Central and South America, and South Asia, many of which are supported by our government through the U.S. Agency for

But the micro enterprise field has learned much from its counterparts But it has also worked hard

to develop approaches that work best here at home.

micro enterprise programs are essential in many ways they offer different types of loans business owners depend on the clients served

I have spent time with a Finca borrowing group in Nicaragua, + I am looking forward to see how the Finca model is working here in DC + how

And
International Development. I have seen similar successes at microcredit projects in the United States. And if you will indulge me for a few minutes, I'd like to share what I have learned at the microcredit projects I have visited, particularly some of the stories I've heard -- stories that offer powerful testimony about the impact of microcredit on individual lives and the lives of entire communities.

1. THE SELF-EMPLOYED WOMEN'S ASSOCIATION IN AHMEDABAD, INDIA

with + to learn more about
I had the opportunity to meet Ela Bhatt at her wonderful organization, the Self Employed Women's Association, on my trip to South Asia in 1995. I will forget seeing women, some of whom had walked for 10 hours, to get to this village bank. Although they were poor and under-educated, they were a model of efficiency and organization. These women lined up to get their loans, which were recorded in thick, yellowed stacks of paper. One woman stood up and talked about how she used to be afraid of her husband, and the police, and everyone who had more authority. Now, she said, she was afraid of nothing.

At the end of my visit, the women stood up and sang "We Shall Overcome" in their local dialect. The point was that microcredit had enabled them to overcome the many obstacles that poverty had presented in their lives.

2. THE GRAMEEN BANK IN BANGLADESH

A few days later I met up with Dr. Yunus at the Grameen Bank in Jessore, which of course was a legend to me and everyone else interested in microcredit. What was incredible was that women from two villages -- one Muslim and one Hindu -- came together to talk to me about the importance of the bank in their lives. Over two million Bangladeshis belong to the bank, which now reaches half of the villages in the country. One woman got up and talked about how, with her first loan, she bought a milk cow. With a second loan, she bought another milk cow. But with her third loan, she decided to do something to encourage her husband to work. So she bought a rickshaw, for him to use.

3. MI CASA IN DENVER, COLORADO

Saw many products from material to home support
Some months later I visited a microenterprise project in the United States, in ~~one of the poorest neighborhoods in~~ Denver. As I said, microcredit can work in many different circumstances. In this case, Hispanic women and girls were receiving career counseling, vocational training, and entrepreneurial services. With loans from Mi Casa, two of the women I met had started a computer business in a garage. The business had grown into a firm with dozens of employees.

And there was another woman who said something that will stick with me forever

decided it could be best for family. She said when her son grows up, he could be a diff kind of... blah!

one woman said she talked to her husband and

because it summed up the reality for so many poor women and men around our country. She said: "Too many great ideas die in the parking lots of banks."

who are unable
to receive credit
through traditional
commercial
banks.

4. FINCA IN MANAGUA, NICARAGUA

About a month after the United Nations Fourth World Conference on Women in Beijing, where the Platform of Action included a commitment on microcredit, I was in a poor barrio in Managua where I went to the weekly meeting of members of a FINCA borrowing group. There were about 30 women, who described how they had received small loans to invest in businesses that ranged from neighborhood bakeries, to seamstress shops, to one that was making mosquito netting.

I was surprised -- and elated -- when one of the women stood up and asked me about my trip to India and described the solidarity she felt with women halfway around the world.

5. PENA (PAY-NYAH) SOL IN SANTIAGO, CHILE

This community bank relied on peer networks to promote and sustain local microbusinesses. I visited a local market where vendors put up awnings in matching blue and yellow to show their commitment to the bank and its members. Most memorable to me was meeting a seamstress who could compete with larger sewing companies in the city. She felt trapped by her circumstances, she said. But once she got a loan, she was able to buy a high-speed sewing machine, which she said she kissed over and over again. "I felt like a caged bird set free," she told me.

not
her antiquated sewing machine

operations

6. BANCO SOL IN LA PAZ, BOLIVIA

On my most recent trip overseas, in December, I had the chance to visit BancoSol, which is now the largest bank in Bolivia. It is the first commercial bank in the world completely dedicated to microlending. Its success in one of the poorest countries in the world speaks volumes about the potential of microcredit. Even here the default rate is extremely low -- about 2.2 percent -- and repayment rate extremely high.

US And Loan - will be

One cannot visit any these projects without being struck by the tenacity, commitment and entrepreneurial spirit of people who are given a chance to help themselves. We have all heard unfortunate stereotypes about people who are poor. Yet anyone who has worked on microcredit or seen its impact around the world, as I have, will tell you that the stereotypes are just plain wrong. So we need to adjust our view of poor people and of what they are able to do when their dreams are nurtured.

Just think of how much we could accomplish if we unleashed the economic and human potential of all of the world's citizens.

becoming more and more aware of

Today we can be heartened that, after initially dismissing the idea of microcredit, commercial banks are suddenly interested in it. They are impressed ~~even envious~~ of the repayment rates of some of the poorest borrowers in the world. They are discovering that when poor people organize themselves, support each other, and strengthen the bonds of community through community banks and self-employment associations, economic activity grows. ~~So we are beginning to see commercial banks shift their thinking about markets which they previously ignored or even scorned.~~

~~Hopefully we will reach a day when great ideas no longer die in the parking lots of banks.~~
Hopefully we will reach a day when men and women of all backgrounds and circumstances are able to realize their dreams because the tools of opportunity were there for them.

Microcredit does not just represent an infusion of cash into a business. It represents an infusion of confidence in a person and in that person's capacity to be a productive, contributing member of society.

I thank all of you for keeping this vision alive, for believing in people who might otherwise not have a chance.

May God bless you and the work you do every day to help us reach our dream of a healthier, happier and more prosperous world.

Thank you.

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③ about community unhij system
creates jobs, builds
bus. & support
families & communities

① Micro is about
opportunity - providing
tools for economic prog.

② V 13 about resp. ty
businesses repay loans
with hard to bld
their bus. & confidence
their sec. well being

Went to Ahmedabad to see
first hand work?

~~We went from Pakistan to India and I know that some of you~~
~~in this room know~~ Ela Bhatt, who is the founder of SEWA, the Self
Employed Women's Organization, and ~~I hope that those of you who~~
~~do not, will have an opportunity to meet her and to learn more~~
~~about her work. I think it is important, again, to think through~~
~~in a more analytical way, perhaps, all the roots of a lot of what~~
we all believe could be possible on behalf of human rights and
human potential, and particularly women, and to know that those
roots are very deep and that they can be sources of both strength
and inspiration.

In terms of Ela Bhatt's own life, she was a devotee of
Gandhi's. ~~for those of you who have been able to follow~~
as you know ~~she~~, was quite outspoken about the rights of women. Some of what
he said we would not agree with now, or in retrospect, but in
general, his emphasis on women being full participants really
gave ^{Ela Bhatt} ~~this woman~~ the grounding and the analytical basis to go out
and form this union of women who ^{were} ~~were~~ vegetable vendors and rag
pickers, totally victimized and oppressed in the most
dehumanizing ways, and give them the strength to believe in
themselves, which was so evident in our gathering together.

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Organiz-
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full empl.
6+

self
reliance

14

This is their bank. They have a bank, a forced savings program that provides social security, home mortgages, the women have established it, they run it. It is one of the best examples of effective micro-credit lending in the entire world. ^{It hard to} ~~It is~~ understand why we don't do more of it here. ~~It is one of the~~ ~~hopes I have arising out of this trip~~, there are so many chances for us to organize women around their own capacity as borrowers, lenders and savers, and therefore acquire the tools of economic freedom.

There were hundreds and hundreds of women under this tent, dressed in colorful saris, primarily pinks and reds and greens and blues, some had walked 12 to 15 hours to be there. Each carried with her this newfound sense of individual power that came through the solidarity they had achieved through SEWA. ~~and~~

One woman stood up and said I used to be afraid of my husband, I used to be afraid of my Mother-in-law, I used to be afraid of the police, now I am not afraid any more. And that is as eloquent of what it takes to become a person able to act on her own ^{as one could hear} ~~as I could hear~~, as someone who had overcome the fear that she had lived with. And again, it put into stark perspective some of our own concerns that are not as significant.

lock printing [26/27 Ashram]

We shall overcome

- (15)
- 1- Theron Circle
Read by Ghanshi ~~Read Theron~~
 - 2- Ghanshi: whispered m LK
 - 3- Gilling Sing his
in Theron

(42) - C13 plane ride to Jessore

Grameen Bank in operation

~~---For those of you who have not, let me briefly describe~~

~~about this gentleman, Mohamed Yunus, has done in the last 15~~

~~years.~~ Dr. Yunus is a PhD economist trained in the US, from Bangladesh, and upon finishing his work, he returned to Bangladesh, about 15 years ago, with the idea that he wanted to extend credit to both men and women who were poor, thinking that there was a way to unleash their energies. The Grameen bank then began as really an outgrowth of his vision of what could be accomplished. Through that he learned that women were much better credit risks than men and he began to move away from his original goal, which at the time was considered quite outlandish - lending 50-50 to men and women, to lending to women primarily, so that now 98% of his borrowers are women.

now call "Parakeety"

We visited a Hindu village of untouchables outside of Jessore, Bangladesh, and it was remarkable on many levels, but one reason is that we were able to visit one of the Grameen Villages, and when this village, for logistical reasons, was chosen, the nearby Muslim village sent its women to visit as well. So there had never been a visit like this to a Hindu untouchables village, there had never been a gathering like this of about 150 Hindu and 150 Muslim women, all of whom were talking about how the ability to earn income had changed the lives of themselves and their families. There was also in Bangladesh the only real encounter we had with opposition to our visit and particularly the kind of sites that I was interested in visiting.

FL's

There was some outcry against ~~me~~ influencing, or trying to influence, the life of Bangladesh and my highlighting NGOs like Grameen. And we talked about this with these women, and the women were very forthright about what they had to say. But the stories they told were again quite remarkable. ~~One woman told in great detail how when she decided she wanted to borrow money from Grameen she was told by the Muslim priest in her village, that if she and her family became members of the Grameen borrowing group, that no member of her family would receive a religious burial.~~ And she said, "I talked with my husband about this, because it was very serious. But we decided that it was good for our family," and she ended by saying, "So we went ahead and we borrowed the money and now what we must do is get a different *Mullah* ~~valve~~ *Priest*". And it was such a remarkable step that could have only been made because there was money coming into the family. There was a tangible benefit from taking this very risky step into the unknown, because the propaganda against Grameen tells these women that they are going to be kidnapped, put on islands, forced to become Christians - there are a whole range of threats put forward to try to prevent them from doing what you see them doing, which is organizing themselves.

2) The five women on this side, they are in a borrowing group. The way it works is that they are formed into a group and each woman waits her turn to borrow the money she needs. And she cannot borrow until the woman before her has repaid the loan. So

there is support for each woman's enterprise and a kind of solidarity about what they are trying to achieve, which really is the root of what makes the Grameen model work.

Spit (go to school) - Mullah not go

They have here what are called the sixteen decisions, ~~but~~
~~what I love about the sixteen decisions~~, which are the principles, the commitments, that women who join Grameen are asked to make, ~~is that~~ ^{and} they go from the most basic -- "We shall build and use pit latrines" -- to the kind of commitments about -- "We shall not inflict any injustice on anyone, neither will we allow anyone to do so, we shall always keep our children and the environment clear" -- , and a strong statement against dowry, which is an amazing commitment on the part of these women because it would appear that by standing against dowry -- neither to pay it nor to receive it-- they are swimming against the cultural tide in a very strong current, but they do so because they can see the tangible benefits to their own lives.

(23)

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This is one of the non-traditional work pieces that are done by the Grameen women. They are making steel and concrete beams that they then, the women who make them, sell to other women who are using them to build their houses with loans that they have taken out from the Grameen bank. So there is a whole market, a whole self-sustaining market that is being created and there are many other kinds of work that the women do that they then sell one to the other. ^{FL + Chelsea} ~~My daughter and I~~ were wearing some of the clothes that they make out of the material that they produce. And the kind of organization that it takes to move from the work that women always do to being producers and sellers of that work,

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*James Read women's work
so they would have us
validate it.*

There is such a direct relationship between the kind of feminism you see at SEWA and at Grameen and the kind of results that flow to the families because of that. That linkage really makes the whole system work. The kind of work that the women are doing is very broad. They are doing traditional crafts, certainly, they are buying milk cows for their families. One woman told ~~me~~ ^{FL} proudly that with her first loan she bought a milk cow, with her second loan she bought a second milk cow and with

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her third loan she bought a rickshaw for her husband to do something to help the family. I mean, ~~that's~~ ^{that's} what Dr. Yunus said, when you give the opportunity to borrow to a woman she invests in her family. She often will go and buy her children back, because many of these women have sold their children to be indentured servants, they didn't really make the decision, the decision was usually made by their husband and mother-in-law. But they go and buy their children back, they send their children to school, they begin to do things that give opportunities to the entire family. In contrast, according to the Grameen experience, men are more likely not to invest in the family, to not be able to use the money effectively to build wealth, because they do not have that same sense of connection to how that money can make a difference in that family unit.

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I really appreciate all of you gathering here today to talk with us about something that is very important and near and dear to my heart. Some of you who have accompanied me on some of our overseas trips know that we have visited microenterprise projects and you have seen for yourselves some of the potential that those projects hold for transforming the lives of men and women and children. And I greatly appreciate the continued interest of those of you who have been with me on these trips and the new interest of others of you.

I'm also pleased that Treasury Secretary Rubin and Administrator Atwood could be here, along with their key staffs who have been working on microenterprise issues both within the domestic arena and internationally.

And over the next week, a number of activities will take place here in Washington that will showcase microenterprise, both its successes in developing countries and its application in advanced economies such as ours.

A little later this afternoon, the President will announce the Presidential Awards for Excellence in Microenterprise Development. These awards are our first effort to recognize within the United States the extension of credit and economic opportunity to Americans who might otherwise lack the chance to become economically self-sufficient. I should mention that these rewards are a direct outgrowth of the United Nations Fourth World Conference on Women in Beijing. They represent our nation's commitment to the platform of action agreed to in Beijing.

On Monday, Secretary Rubin, Administrator Atwood and I will speak at an international microcredit summit here in Washington. This conference brings together experts from around the world to talk about ways we can learn from each other and to apply lessons within our own borders. That is a commitment that AID has under Brian Atwood's leadership to pursue what he calls, lessons without borders. And microenterprise is just one aspect of that.

Later Monday afternoon, I will have the opportunity to visit a microenterprise project in Washington called FINCA, which operates on several continents. Those of you who were with me in Nicaragua and in Chile in 1995 will remember that we visited FINCA projects on that trip.

I want to move on to some brief remarks by Secretary Rubin and Brian Atwood, but I want to reiterate something that I have said repeatedly about microenterprise. Although I view this as a very important tool for economic and social development, it is not by any means the only tool that we need to be utilizing here and abroad to promote opportunity among people.

And I think it will have special application in the whole array of tools we attempt to use in moving people from welfare to work. But it also has implications for working poor people, for communities that have lost enterprise and economic opportunity. But it has to fit in with other efforts that are designed to equip people to make better decisions for themselves.

So with that, let me turn to Secretary Rubin.

SECRETARY RUBIN: Well, microenterprise lending is something that the President and the First Lady were involved with when they were in Arkansas, so this has a real history in the Clinton administration. The President, when he ran in '92, as some of you may remember, advocated a nationwide network of community development banks.

After the election, one of the first things the President did was to set people to work to turn that vision into a reality, and out of that came the CDFI Fund which was enacted and is now in the process of being implemented. The first grants have been given out. And I think it's an -- I think both the CDFI Fund, which is a fund of grants to community development institutions of various kind around the country, and the microenterprise program, which is conducted within the Community Development Fund, are both very, very important ideas.

As the First Lady said, they are part of a much broader effort to bring the residents of the inner cities and other depressed areas in our country into the economic mainstream. I've had a personal belief for a long time that the issues of the inner city and more generally the issues of those who live in depressed areas -- rural and inner city -- are probably the single most economic problem our country faces. And this country will never be what it can be economically or socially for any of us, no matter where we live or what our income is, unless we deal with those problems.

When the First Lady went to Asia and came back and talked to us more about the microenterprise area, I particularly felt an enormous sense of energy about this idea. I think it's a very important idea. It is still a relatively small program in this country. But I think it is a very, very big idea, very, very important idea. And I think it will be an important part of the effort -- an effort that we must be successful at over time if we're going to be the kind of country we want to be, to bring the residents of these depressed areas into the economic mainstream.

MR. ATWOOD: It's obvious that we're operating nowadays in a global economy and that there are a lot of interconnections between the international arena and our domestic economy. This idea is an idea that we first heard about in Bangladesh, and we've brought it back -- and Mohammed Unis, who also, I think, came to Arkansas to brief the First Lady and Governor Clinton at the time, and the first real experiment in this was the Good Faith Fund in Arkansas financed by the South Shore Bank in Chicago.

We, in this administration, have really given this a boost because we announced in 1994 a major microenterprise initiative. We began then spending about \$130 million a year. We are out ahead of the revolution that's occurring around the world -- obviously started and we give full credit to Mohammed Unis -- but

the

work that we have done has really encouraged a lot of others. We're funding about 150 microenterprise institutions in 40 countries and we feel that we're reaching about 20 million people.

Now, just last year, we worked to negotiate with the Development Assistance Committee of the OECD a document that put forth some targets for the international donor community. One of the targets was that we would try to reduce by one-half extreme poverty. When I say extreme poverty, I'm talking about \$370 or so a year -- people who make about \$1 a day. Part of the effort is this microenterprise effort. There are about 1.3 billion people. We've got to make inroads if we're going to do it.

We tried to keep our loans to under \$300 overseas. And people say, my goodness, that's very small, but think about the people who live in extreme poverty -- \$370 a year. People paid back these loans to the tune of over 95 percent repayment rate. Banks around the world, including a lot of American banks, are now beginning to get very interested in this.

Mrs. Clinton visited Banco Sol in Bolivia, which is now the number one bank in Bolivia. We started that program with about \$4 million. They now have a loan portfolio of \$30 million and 60,000 people who have benefitted from the program are active -- actually have loans that are active at this point.

So this is really a revolution. It is hitting here. We've taken our Lessons Without Borders program to many cities, and Mrs. Clinton spoke to the national conference where a lot of cities were represented in Baltimore just a few months ago. The people of Baltimore sent a delegation to Kenya to look at our microenterprise program there. They created a women's entrepreneurs fund, which is a microenterprise fund in Baltimore. It's really catching on. And I will conclude by saying that of the awardees this afternoon -- there are seven -- four of them were AID recipients. They were working with us, helped us fashion our program. So you can see the interconnectiveness that I've talked about. We're learning lessons from our work overseas.

MRS. CLINTON: I just would add, before we throw it open for questions on this or related subjects, that part of what is attractive about this effort is something that both Brian and Bob alluded to, and that is there is a stereotype of people who are poor, and particularly people who have been on welfare in our country which is just not accurate when it comes to describing the full range of human potential and skills that are available if nurtured and if given a chance to flourish.

We found that in Arkansas when we began to work with South Shore Bank, which is located in Chicago, and was really -- I guess it's fair to say, Brian -- the first effort to transplant some



Steven A. Cohen
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THE WHITE HOUSE

Office of the Press Secretary

Internal Transcript

January 30, 1997

REMARKS OF THE FIRST LADY, SECRETARY OF TREASURY BOB RUBIN AND AID ADMINISTRATOR BRIAN ATWOOD IN PRESS BRIEFING

The Map Room

1:30 P.M. EST

MRS. CLINTON: I want to go ahead and get started. I wanted to wait until some of the people who were in the other briefing could get here, but I don't want to wait too much longer so that we'll have a chance to visit. And if they come in, they can just join us.

development and I have kept in touch with the people who are working on it, and I know from sitting there talking to those people who are going to be both investors and borrowers from that bank that it has tremendous potential.

Now, that doesn't mean it's going to be easily implemented or that there aren't going to be changes that will have to be made in both the philosophy and the practice of it as we move it on a broader scale here in America. But just based on the examples that I know, examples from Illinois, from Arkansas, now from Washington, it is clear to me that if you look at depressed urban and rural areas, particularly urban areas in America, there's a lot of income in those areas, because of transfer payments and because, frankly, of illegal transactions that go on. So there's money in those neighborhoods.

What there isn't is capital accumulation that can be translated into economic institutions, jobs, and everything we think of as the market economy being able to spawn greater opportunity. If we can crack that through microenterprise, through community development fund efforts, if we can begin to get capital and credit into those neighborhoods, we know that there are people there who will be able to create businesses and jobs. So it's just a question of how much patience we're willing to exercise, how much support we're willing to give, and how much of a subsidy there needs to be in the beginning, because there does have to be some subsidy to start with.

Do you have anything to add to that?

SECRETARY RUBIN: No, I think the question is critical mass, and the First Lady said it very well.

Q Is there money in the President's budget for this?

SECRETARY RUBIN: Yes. We have an appropriation request in the budget to be submitted next Thursday for the Community Development Fund, and it's a substantial -- we're not going to pre-announce the budget, but it's a substantial request. And those funds, amongst other things, can be used to help fund these microenterprise institutions around the country.

Q Can you just give us an idea of how that could grow over last year?

MRS. CLINTON: Oh, you want us to spoil all the surprises. (Laughter.)

SECRETARY RUBIN: I'll tell you what we plan to do. I have to help. (Laughter.)

Q I think it's already out.



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Page 1 of 7

Date: 27 January 1997

To: Ms. Melanne Verveer
Deputy Chief of Staff
Office of the First Lady

From: Vera P. Weill-Hallé
Representative
IFAD/WASH

Subject: Speech for Microcredit Summit

1. Following my message to you of Friday, I am sending you a copy of the President of the International Fund for Agricultural Development (IFAD), Mr. Fawzi Al-Sultan's speech which he will give at the Microcredit Summit. As Mr. Al-Sultan and the First Lady are speaking on the same plenary panel, I thought this may be useful in her preparations for the Summit.

2. IFAD is pleased to be associated with the Microcredit Summit. Our work with Microcredit dates back twenty years, when we were the first international organization to support Dr. Mohammed Yunus and the Grameen Bank. Since then, we have made microcredit a priority and have sought other innovative projects, like the Grameen Bank, to fund. These types of projects and programmes are very critical in helping the rural poor, especially women, attain the necessary resources to overcome their poverty and hunger. I understand that the First Lady has had an opportunity to visit a project site in Bangladesh and is very interested in these types of projects. Mr. Al-Sultan would welcome the opportunity to meet with her at her convenience during the time he is in the United States for the Summit.

3. I will call you in the coming days to ensure that you received the speech and arrange a brief meeting with the First Lady, if possible, during this time. Please contact me if you should have any questions or require any further information.

With best regards.

U.S. Small Business Administration



Championing America's Entrepreneurs

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Office of the Administrator

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SBA Form 959 (1/97) Previous editions obsolete.

Did you know the SBA ...

Has a portfolio guaranteeing over \$29 billion in loans to 200,000 small businesses that otherwise would not have had such access to capital?

Backed over 52,700 loans totaling \$10 billion to America's small businesses in fiscal year 1996?

Last year extended management and technical assistance to nearly 850,000 small businesses through its 950 Small Business Development Centers and 13,000 Service Corps of Retired Executives volunteers?

Provided nearly 30,000 loans totaling \$870 million to disaster victims for residential, personal property, as well as business losses in fiscal year 1996?

Has 7,000 private sector lenders as partners providing their capital to small business?

Has increased its venture capital program with more private capital in the past two years than in the previous 15 years combined?

Provides loan guarantees and technical assistance to small business exporters through U.S. Export Assistance Centers in 15 cities?

Can be contacted through the SBA Home Page on the Internet (<http://www.sba.gov>)?

Can respond to written small business questions through the U.S. Business Advisor on the Internet (<http://www.business.gov>)?

Did you know that America's 22 million small businesses ...

Employ more than 50 percent of the private workforce,

Generate more than half of the nation's gross domestic product, and

Are the principal source of new jobs?

MICROLOAN PROGRAM
Talking Points
January 30, 1997

- * The SBA's Microloan Program is a unique public private partnership that combines the tireless efforts of dedicated community-based non-profit lenders with the financial resources and experience of the SBA.
- * Together, the SBA and its microlenders have become the largest single source of microenterprise credit in the country.
- * Microloans help people help themselves, fostering the responsibility and self-esteem that comes from individual decision-making, hard work, persistence and responsibility.
- * Since 1992, the SBA has loaned almost \$70 million to non-profit organizations for the purpose of providing microloans.

More than 5,250 microloans amounting to \$51 million, averaging roughly \$9,850 each, have been extended to the smallest of small businesses across the country, without the loss of one single dollar to the government.

- * 41 percent of microloans have gone to women
23 percent have gone to low income borrowers
38 percent to business start-ups
43 percent to borrowers in rural areas
- * The microloan concept is simple. SBA provides long-term loans ranging up to \$750,000 to community-based non-profit organizations that have demonstrated that they can make small commercial loans.
- * These funds finance the small commercial loans -- ranging from just a few hundred dollars to as much as \$25,000.
- * The program is unique in the way that it combines access to credit with technical assistance. The SBA provides grants to microlenders to cover the costs of marketing and technical support programs for their borrowers. Typically, this support includes help with business plans, loan applications, classroom instruction, peer group training, one-on-one counseling and site visits.
- * Traditionally, the SBA has loaned funds directly to our intermediary lenders. As the program has grown, however, the SBA has begun testing the idea that local commercial lenders could provide capital to SBA microlenders with an SBA guaranty.

- * The program began as a five-year pilot in June 1992 after Senator Dale Bumpers heard a radio story about an Arkansas group that provided this type of financing. He followed up, was impressed with what he saw, and made the program happen on a national basis.
- * The program started with 35 lenders in 30 states, and has expanded to 103 lenders in 48 states, the District of Columbia and Puerto Rico. In addition, 23 organizations receive grant funds to underwrite efforts to help low income entrepreneurs obtain private sector credit for their businesses.

BACKGROUND INFORMATION FOR PHIL LADER

The Department of the Treasury houses the Community Development Financial Institutions Fund (CDFI).

- o CDFI is in its second year of operation and is chartered with providing federal funds to community development banks for a wide range of investments from affordable housing to small business.
- o Created by the current administration, CDFI was chosen as the office to sponsor the inaugural year of the Presidential Awards in Microenterprise Development.

SBA is the largest domestic funder of microenterprise development efforts in the federal government. Other agencies funding smaller, tightly focused, projects include:

The Department of Health and Human Services:

- o Job Opportunities for Low Income clients program which is a job training and self employment test project
- o Office of Refugee Resettlement project housing a microenterprise program for refugees

The Department of Labor:

- o Formerly tested the idea of allowing Unemployment Insurance recipients to use their payments to start new businesses as opposed to payment until employment was obtained

USAID

- o Works overseas in funding microenterprise projects.

The SBA program began with the announcement of 35 intermediary lenders and two non-lending grantees in June of 1992.

- o The first two loans to intermediary lenders were closed in September, 1993.
- o By the end of Fiscal Year 1996, 103 active intermediary lenders had received over 180 loans for a total of approximately \$69 million.
- o Through the end of Fiscal Year 1996, intermediaries had provided more than 5,200 microloans to the smallest of businesses in the nation.
- o Technical assistance providers had facilitated in additional microloans of over \$24 million from private sector sources.



February 2-4, 1997
Sheraton Washington Hotel
Washington, DC, USA

COMMONLY ASKED QUESTIONS ABOUT MICROCREDIT & THE MICROCREDIT SUMMIT

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COMMONLY ASKED QUESTIONS ABOUT MICROCREDIT & THE MICROCREDIT SUMMIT

I. BASIC QUESTIONS

WHAT IS MICROCREDIT?

Microcredit programs extend small loans to poor people for self-employment projects that generate income, allowing them to care for themselves and their families. In most cases, microcredit programs offer a combination of services and resources to their clients in addition to credit for self-employment. These often include savings facilities, training, networking, and peer support. [For more information, see pp. 4-6 and pp. 10-15.]

WHY IS IT NEEDED?

The World Health Organization reports that in 1995 one-fifth of the world's population, or more than one billion people, lived in extreme poverty.¹ Focusing on this poorest fifth, the United Nations Development Program finds that they account for only 1.4 percent of the world's Gross National Product and only .2% of commercial lending.² Yet, with small amounts of venture capital the poor can finance business endeavors that significantly increase their incomes, making them better able to feed, clothe, educate, shelter, and provide health services to their families.

The story of Molé Motuké demonstrates how someone living in extreme poverty can build a better life for herself and her family when given access to microcredit.³

When workers from the non-governmental organization Association d'Appui aux Conducteurs de Chariots du Zaire (ACCZ) surveyed a slum area of Kinshasa, Zaire, they found Molé Motuké. Molé, widowed five years earlier, was now living with her four children in an old wrecked car. Food was very hard to come by, and often she would be forced to feed only two of her children one day and the other two the next. Responding to the inquiries of the organizers, she said that she knew how to make "chikwangue," a basic food made from cassava, but that she needed money to go into business.

With her first loan of \$100, she bought the basic materials for making and selling chikwangue. With the profits from this activity, she has been able to rent a small 3-room house. She can now feed her family well and her children go to school. She is saving to buy a small plot of land on which she hopes to one day build her own house. Other family

¹ "The World Health Report 1996," World Health Organization, 1996, p.3.

² "Human Development Report 1994," United Nations Development Program, p.63.

³ Molé's story is taken from the Microcredit Summit Institutional Profile of Association d'Appui aux Conducteurs de Chariots du Zaire.

members who had rejected her in the past now come to visit her. She said to ACCZ workers, "Do this with many families!"

WHAT IS THE MICROCREDIT SUMMIT?

The Microcredit Summit, to be held February 2-4 in Washington, DC, will launch a global campaign 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 the year 2005. The Summit will bring together all sectors of global society - public, private, and non-profit - to affirm this goal and to help develop the concrete action steps each institution will take to contribute to its fulfillment. *[For more information, see pp. 7-9]*

WHY THE MICROCREDIT SUMMIT?

With innovative tools like microcredit, there exists the very real possibility of significantly reducing the widespread existence of absolute poverty on the planet within the next decade. However, as important as the Children's Summit, the Earth Summit, the Social Summit, the Food Summit and the Population and Women's conferences were, none of them emerged with a compelling, measurable goal in the area of microcredit. The Microcredit Summit has one goal: Working to ensure that 100 million of the world's poorest families, especially the women of those families, will be receiving credit for self-employment and other financial and business services by the year 2005.

The Microcredit Summit will serve as the launching point for a nine-year coordinated effort on the part of public, private, and non-profit agencies to reach the goal. In this way, the Summit can help to ensure a dramatic and effective expansion of microcredit worldwide, and can help to ensure that microcredit can reach its full potential to serve as a primary tool in the fight against poverty.

WHO IS PARTICIPATING IN THE SUMMIT?

Approximately 2,000 Summit participants are expected, representing institutions of the public, private, and non-profit sectors. The majority of these institutions will have joined a Microcredit Summit Council. There are Councils for Heads of State and Government, U.N. Agencies, Donor Agencies, International Financial Institutions, Parliamentarians, Domestic Government Agencies, Practitioners, NGOs, Advocates, Banks and Commercial Financial Institutions, Corporations, Religious Institutions, Service Clubs, Foundations and Philanthropists, and Educational Institutions. [See Council Members List.]

Confirmed plenary speakers include Sheikh Hasina, Prime Minister of Bangladesh; Alpha Oumar Konaré, President of Mali; Yoweri Museveni, President of Uganda; U.S. First Lady Hillary Rodham Clinton; Queen Sofia of Spain; World Bank President James Wolfensohn; U.S. Treasury Secretary Robert Rubin; the heads of several U.N. agencies; Monsanto Chairman Robert Shapiro; Muhammad Yunus, founder of the Grameen Bank in Bangladesh, and others.

WHO IS ORGANIZING THE SUMMIT?

The Summit is being organized by RESULTS Educational Fund, a non-governmental organization (NGO) based in the U.S., whose purpose is to generate the will to end hunger and poverty. RESULTS Educational Fund organized the 1990 World Summit for Children Candlelight Vigils at which more than one million people gathered in 75 countries to bring attention to the Children's Summit and its goals for improving children's health and well-being. The RESULTS Educational Fund Board of Directors includes Muhammad Yunus of Grameen Bank, Marian Wright Edelman, President of the Children's Defense Fund and U.S. Ambassador to the UN-designate Congressman Bill Richardson (D-NM).

HOW IS THE SUMMIT BEING FUNDED?

The Summit is being funded through the private sector. Four sponsors have provided grants of \$100,000 each: Citicorp Foundation, Charles Stewart Mott Foundation, MasterCard International, and Monsanto Fund. Other funders of the Summit include the following foundations: Bankers Trust, Chase Manhattan Bank, JP Morgan, American Express, and Johnson & Johnson, among others.

II. MICROCREDIT

WHO ARE THE BORROWERS?

The market for microcredit is poor people who conventional banks do not serve. Although there is a great need for microcredit and other financial and business services among various economic levels, the Summit's goal targets the bottom half of those living below the poverty line in developing countries, and those living below the poverty line in industrialized countries, with a particular emphasis on serving women.

Rita Elena Mejia is a 32-year old woman from Honduras.⁴ Rita makes her living selling tortillas from a wooden shack she rents on a Tegucigalpa hillside. Before joining World Relief's community banking program, she couldn't use more than 10 pounds of corn a day, lacking the money to buy more supplies. With her first loan of \$74 in June 1992, she bought corn and firewood in bulk from a wholesaler for a good price, allowing her to greatly expand her production. By 1994 she was on her fifth loan, this time for \$188, and using 60 pounds of corn for tortillas a day. Rita is confident that she can continue to expand her business because the demand for her tortillas is higher than she can meet. She is proud that now she can afford to buy her children all the school supplies they need. Rita also highlights the importance of savings in microcredit programs.

"I'd never thought about the possibility of a savings account before. But now I've got \$125 saved up. I'd like to build a house some day."

WHO ARE THE PRACTITIONERS?

The microcredit industry is comprised of a heterogeneous group of financial institutions and intermediaries, including non-governmental organizations (NGOs), credit and savings cooperatives, microcredit banks, and other institutions.

ARE THE POOR CREDIT-WORTHY?

Contrary to conventional wisdom, poor people have proven to be a good credit risk. Worldwide repayment rates generally exceed 95%. Late payment and bad loan ratios are comparable to, or below, those of conventional banking houses. For example, a study of the Bolivian microcredit institution BancoSol revealed that only .04 percent of the loan portfolio was in arrears beyond thirty days, compared to a 4.42 percent figure at other banks.⁵

⁴ Rita's story is taken from World Relief de Honduras literature submitted as part of the Microcredit Summit Institutional Profile of World Relief de Honduras.

⁵ Otero and Rhyne, The New World of Microenterprise Finance, p. 244.

WHY CAN'T THE POOR JUST USE REGULAR BANKS TO OBTAIN LOANS?

There are typically several barriers to the poor receiving loans from regular banking institutions -- among them, 1) the requirement of collateral, 2) the fact that banks will not generally lend in small amounts, 3) the necessity of literacy to fill out forms, and 4) in some developing country cultures, the fact that banks may not lend money to women without their husbands' consent.

HOW WIDESPREAD IS ACCESS TO MICROCREDIT NOW?

The Summit Documents estimates that approximately 8 million very poor people around the world currently have access to microcredit. There are hundreds of institutions that provide microcredit, on six continents.

HOW DOES A MICROCREDIT PROGRAM WORK?

Microcredit programs provide credit services to the poor in a way that is responsive to their circumstances. There are many different models for providing microcredit. One model involves potential borrowers forming themselves into small groups. Group members are accountable for ensuring that every other member repays his/her loan, replacing collateral. Repayment is typically made in frequent and small installments -- for example, in weekly repayment meetings over the course of one year. Also, in regular group meetings, business ideas can be approved, business counseling can be provided, savings can be managed, discussions can be had on important topics such as health and education, and community bonds can be strengthened.

The Summit Document lists common characteristics of successful microcredit programs for the poorest, including, among other characteristics⁶:

- Targeting the very poor;
- Tailoring program operations to reach women;
- Simple procedures for reviewing and approving loan applications;
- Delivery of credit and related services to the village and neighborhood level in a convenient and user-friendly way;
- Quick disbursement of small, short-term loans (three months to one year);
- Clear loan recovery procedures and strategies;
- The incentive of access to larger loans following repayment of first loans;
- In developing countries, interest rates which are adequate to cover the cost of operations; in industrialized countries, interest rates which are least equal commercial rates;⁷
- Access to business information, expertise, and advice to microentrepreneurs, and
- Encouraging and accepting savings in concert with lending programs.

⁶ Microcredit Summit Declaration (January '97 Draft), Paragraphs 6.2.1 - 6.2.13.

⁷ Commercial or market interest rates are those that are sufficient to cover costs plus a reasonable rate of return, considering the level of risk involved.

WHAT IS THE IMPORTANCE OF SAVINGS IN MICROCREDIT PROGRAMS?

One of the important services that many microcredit programs offer their clients— both borrowers and non-borrowers—is a safe place to put their savings. Among the benefits of incorporating a savings component into a program:

- Savings are a primary way of enhancing family economic security.
- Savings give borrowers a yardstick for measuring their economic progress, and are often a source of great pride to women who have never had their own working capital.
- Savings accumulation provides an incentive for borrower insistence on efficient and transparent management of funds.
- In some microcredit systems, savings generated by the members of a peer lending group are re-lent among the group's members, creating a second loan portfolio whose interest income becomes an additional source of income to the borrower.
- For the microcredit lending institution, savings can provide an important source of additional collateral for meeting the risk of non-repayment, and for increasing the supply of available loan capital.
- Savings as a percentage of total loan portfolio also provides a convenient measurement of the program's rates of internal capitalization and financial self-sufficiency.⁸

⁸ Microcredit Summit Declaration (January '97 Draft), Paragraph 5.3.7.2.

III. THE MICROCREDIT SUMMIT

WILL THIS SUMMIT BE ANY DIFFERENT IN STRUCTURE OR APPROACH THAN PREVIOUS GLOBAL SOCIAL SUMMITS?

Yes, in several important ways:

- This is the first global social Summit this decade to be convened by a non-governmental organization (NGO), instead of the U.N.
- The Microcredit Summit will bring together heads of institutions from *all* sectors of global society - public, private, and non-profit. The Summit will have the participation not only of heads of state and government, but also of heads of U.N. agencies, international financial institutions, donor agencies, domestic government agencies, corporations, foundations, non-profit agencies, and other types of institutions, as well as legislators.
- The Summit's Declaration and Plan of Action will be finalized *before* the Summit convenes. Thus, the agenda of the Microcredit Summit is entirely focused on designing action plans and launching the nine-year campaign to reach the Summit's already-agreed-upon goal, instead of debate on the final document.
- In recognition of the central role that institutions from all sectors of society will play in reaching the Summit's goal, almost all Summit attendees will be delegates of institutions which have joined one of the Summit Councils. Council membership requires an institution to express commitment to the Summit's goal, agree to attend the Summit, and agree to announce, by February 1998, a plan for contributing to fulfilling the Summit's goal.

WHAT WILL BE THE GREATEST CHALLENGE TO REACHING THE SUMMIT'S GOAL?

The Summit Document explains, "The single biggest challenge to expanding microcredit to 100 million of the world's poorest families, even greater than the challenge of mobilizing the necessary funding, is the need to build local institutional capacity in communities around the world."⁹

The Document notes that the emphasis in capacity building during the decade-long campaign to reach the Summit's goal will be to strengthen the thousands of existing microcredit NGOs, cooperatives, credit unions, grassroots groups, and poverty banks that at present comprise the microcredit movement.

IS THE SUMMIT'S GOAL OF REACHING 100 MILLION FAMILIES BY 2005 REALLY ACHIEVABLE?

The fact that hundreds of microcredit programs on every continent have prompted a dramatic expansion in microcredit in the past two decades and the fact that so many prominent institutions in every sector of society have committed to the Summit's goal provide reason to believe that the goal

⁹ Microcredit Summit Plan of Action (January '97 Draft), Paragraph 13.1

can indeed be achieved. Also, there will be a Microcredit Summit 2005 Campaign Secretariat which will carry the responsibility for overall organization and monitoring of the 9-year campaign.

Currently, there are hundreds of microcredit practitioners on six continents which collectively reach approximately 8 million very poor people. Thus reaching the Summit's goal will require expanding microcredit access by 92 million people over the next 9 years. The Summit Document urges a focus on strengthening the existing network of microcredit practitioners worldwide, as well as designing and starting new programs.

Every institution on a Microcredit Summit Council has committed to the Summit's goal and agreed to submit an institutional action plan by February 1998 outlining how their institution will contribute to reaching the Summit's goal. The Microcredit Summit Councils, with the support of the Summit Secretariat, will be responsible for developing strategies for fulfillment of the Summit goal, including funding, monitoring progress, and expanding participation from their respective institutions and constituencies. RESULTS Educational Fund will serve as the Secretariat for the Microcredit Summit 2005 Campaign.

WHY DOES THE SUMMIT GOAL FOCUS ON REACHING WOMEN?

In both developing and industrialized countries, poverty predominantly has a female face. The United Nations Development Fund for Women (UNIFEM) finds that women earn only 10 percent of the world's income, and own less than 10 percent of the world's property. Of the 1.3 billion people who live on less than \$1 a day, over 900 million are women.

Despite the fact that women's labor makes a critical contribution to developing country economies, women's access to key resources is particularly limited. In African countries, for example, women account for more than 60 percent of the agricultural labor force, and contribute up to 80 percent of the total food production, yet they receive less than 10 percent of the credit provided to small farmers.¹⁰

Mao Eng, who lives in rural Cambodia, provides but one example of a woman who has improved the lot of her entire family with the help of microcredit loans.¹¹

Abandoned by her husband years ago, Mao Eng lives alone with her seven children in a small, rundown house. In the past, she would earn income by making and selling fish or cakes in the market, fattening one piglet at a time, and, in the dry season, working as a day laborer for construction companies doing hard, low-paid tasks. Due to her long hours away from home, her older children had to care for her younger ones and so could not go to school.

Mao made around \$180 a year. When her income wasn't sufficient, she would have to borrow from the moneylender at 20% interest monthly, just to feed her family. She was worried that in a bad situation she could become completely dependent on the moneylender.

¹⁰ "A Women's Development Agenda for the 21st Century," UNIFEM, p.7

¹¹ Mao's story is from the Microcredit Summit Institutional Profile of Ennatien Moulethan Tchonnebat.

Since joining the village microcredit association three years ago, Mao has taken several loans, from \$30 - \$50, allowing her to fatten three piglets at a time, develop her small trade activities, and buy a bicycle to make the three kilometer trip to the market quicker and trade more goods. Because she no longer has to resort to working for construction companies, she can work and look after her children at the same time, and her older children can go to school year round.

It has also made a tremendous difference to Mao that she has been able to accumulate savings. Before, when she had no savings at all, she was very afraid of having to cope with accidents or sickness while not being able to afford medical expenses. Now, her savings allow her to feel more secure and confident about the future of her family. "Now that I manage to save some money from week to week," she says, "I have the project to buy zinc to repair the roof of my house next year."

HOW MUCH WILL IT COST TO REACH THE SUMMIT'S GOAL?

The Summit Document estimates that up to \$21.6 billion in grants, low interest loans, and commercial loans could be needed to achieve the Summit's goal by 2005. This amount is small in relation to total development aid, private sector donations and social investments, and private capital flows. The estimate includes monies that are now being spent globally on microcredit programs serving very poor people. The Summit Document asserts that of the \$21.6 billion, "a little more than half may need to be provided through grants and concessional loans. Thus about \$10 billion may come from commercial credit markets, institutional earnings, and the savings of the public, including the savings of the poor themselves".¹²

¹² Microcredit Summit Plan of Action (January '97 Draft), Paragraph 9.1

IV. MICROCREDIT IN DEVELOPING COUNTRIES

WHAT IS THE AVERAGE SIZE OF A MICROCREDIT LOAN?

With as little as US\$30 in developing countries, borrowers can improve their lives significantly. For example, the average loan size is US\$130 at Kafo Jiginew in Mali and US\$160 at FINCA's program in Nicaragua. The Summit Document assumes an average loan size of US\$150.

HOW DO BORROWERS IN DEVELOPING COUNTRIES USE MICROCREDIT LOANS?

Borrowers use these tiny loans as capital for entrepreneurial business ventures. A basket weaver may use the loan to purchase her own raw materials; a rural villager may buy a cow and sell the milk, grow vegetables to sell in the market, or invest in a bicycle rickshaw to transport people and goods.

Somi Devi used her loan to raise buffalo for selling.¹³ Born into a low caste in rural Nepal, she and her husband, a landless day laborer, had been living in extreme poverty for the first 16 years of their marriage. Having no reliable source of income, they had great difficulty feeding and clothing their four children before they discovered the microcredit program of the Centre for Self-Help Development. With her first tiny loan from the Centre, Somi bought a baby buffalo, reared it, and sold it for a handsome profit six months later. With her second loan, she bought a pair of buffalo and .1 hectare of land with the proceeds of the first buffalo sale. For the first time, she is the proud owner of her own small piece of land to live on. Moreover, she now sends her children to school, and they help her herd the cattle when they return home.

MICROCREDIT REPAYMENT RATES ARE HIGH, BUT DOES MICROCREDIT REALLY REDUCE POVERTY?

There is growing evidence to support the intuitive understanding of most practitioners and participants that access to credit is helping poor people end their own poverty.

- A Catholic Relief Services evaluation reports that 97% of the members from two established village banks in Thailand increased their income by \$40 to \$200 per year.
- In El Salvador 380 FINCA borrowers reported weekly income increases averaging 145%.¹⁴

¹³ Somi Devi's story is taken from the Microcredit Summit Institutional Profile of the Centre for Self-help Development.

¹⁴ "Midterm Evaluation: Microenterprise Development Project No. 519-0318," by Susan Hahn and Mario Ganuzza, Chemonics (for USAID/El Salvador), Washington, D.C.

- Gibbons' study of long-term Grameen Bank borrowers found that 46% had lifted themselves above the official poverty line; 34% had risen from absolute poverty to moderate poverty; and 20% remained very poor, usually due to illness in the family.¹⁵

Mary Akoth's story demonstrates how a microcredit borrower can lift herself out of poverty using a microcredit loan.¹⁶ Mary lives in one of the poorest parts of rural western Kenya with her five children and one grandchild. Mary became destitute in 1979 when her husband left her and her family refused to help her. She was reduced to the most degrading means of earning money in order to pay rent and buy food.

In 1992, Mary attended "Africa Now" training and a year later received a loan of Ksh 200 (US\$ 4) from "Africa Now". She started trading in chapatis and tea on the roadside, and soon began to make a profit of Ksh 40 a day. After six months she added rice and beans and increased her client base. She was then able to construct a temporary kiosk.

Today, Mary makes a profit of US\$ 8 per day (twice the size of her original loan). She can pay rent, feed her family well, and pay school fees for her school age children. She employs three people and plans to expand her business further. She says she no longer feels isolated and helpless, and now looks forward to a future that she never dreamt possible before.

WHAT ARE SOME OF THE SOCIAL IMPACTS OF MICROCREDIT?

Microcredit programs become vehicles for a variety of desirable social developments. FINCA Founder John Hatch has said:

"Increased income earned by a low-income mother translates into a chain of positive improvements for her family. This chain starts with her capacity to purchase more food. A better diet and improved nutrition stimulate better family health. Improved health results in greater resistance to disease, higher energy, greater capacity for work and learning, and thus enhanced productivity. As family nutrition and health are stabilized, incremental investments in the education of children are almost certain to follow. Close behind education expenditures come investments in home improvements. Finally, these outcomes are paralleled by a near-total transformation of the borrower's self-respect."

The regular meeting of solidarity groups plays a role in forging the solidarity of the borrower group, and provides an excellent forum for learning and discussion about issues such as health care and sanitation, family planning, ending marriage dowries, running a business, and education, among other things.¹⁷

¹⁵ "Research on Tangail: Crucible of the Grameen Bank Approach to Poverty Reduction," by Professor David Gibbons. The 1992-3 study was conducted with a group of 40 ten-year female loanees drawn from 2 average quality GB centers in two typical rural villages of Bangladesh.

¹⁶ Mary's story is from the Microcredit Summit Institutional Profile of "Africa Now".

¹⁷ Microcredit Summit Declaration (January '97 Draft), Paragraphs 5.3.8 - 5.3.8.2.

In a UNICEF supported microcredit program in Vietnam, it was found that 97 percent of the daughters of the borrowers attended school, compared with only 73 percent of non-borrowers. In another program in Egypt, women with working children were given access to credit once their children were enrolled in school.¹⁸

CAN MICROCREDIT PROGRAMS REALLY HOPE TO BECOME FINANCIALLY SUSTAINABLE?

One of the most exciting aspects of microcredit programs is their potential to become financially sustainable. In a study of eleven leading microenterprise finance institutions¹⁹, researchers found that some of the eleven continued to be dependent on grants and subsidized loans, while a few had achieved a state in which they could continue operations on an unsubsidized basis. The overall picture was one of a growing trend toward sustainability that holds great promise for the rapid growth of microcredit programs in developing countries. This study, combined with the well-known record of achievement and expansion of individual programs, proves that microcredit institutions in developing countries have the potential to become profitable institutions, capable of competing for investment funds in the financial marketplace.

Statistics from individual programs also provide encouraging evidence. The Grameen Bank has revolved its loan capital over 5 times, and it and BancoSol in Bolivia no longer need donor money for the operation of their banks. In 1995, Grameen actually turned a profit. As of May 1995, interest income for FINCA programs in the Dominican Republic covered 81 percent of the program's operating costs; in Honduras 96 percent; and in Nicaragua 126 percent.

¹⁸ Microcredit Summit Declaration (January '97 Draft), Paragraph 5.3.8.1.

¹⁹ "Maximizing the Outreach of Microenterprise Finance: The Emerging Lessons of Successful Programs," by Christen, Rhyne, and Vogel, 1994 paper.

V. MICROCREDIT IN INDUSTRIALIZED COUNTRIES

IS MICROCREDIT RELEVANT IN INDUSTRIALIZED COUNTRIES?

Yes. In most industrialized nations, self-employment increasingly is becoming an employment or re-employment option for many, including the poor. Many underemployed and unemployed individuals turn to self-employment as a means to create and supplement income for themselves and their families. Over the last ten years, an infrastructure of microenterprise development organizations has developed in direct response to this trend. These organizations, most of them nonprofit, combine empowerment, education, and credit as stimulants to alleviate poverty.

DOES THE SUMMIT GOAL INCLUDE INDUSTRIALIZED COUNTRIES?

Yes. Of the 100 million very poor families that the Summit seeks to reach, four million will be found in the industrialized countries, half of those in the U.S. In the U.S., the approximately 300 existing microenterprise development programs are currently reaching 40,000 to 50,000 families a year. Reaching 4 million families by 2005 will require that these efforts greatly expand their reach.²⁰

HOW WIDESPREAD IS ACCESS TO MICROCREDIT IN INDUSTRIALIZED COUNTRIES?

Microcredit programs in industrialized countries are younger than those in the developing world, but growing steadily. For example, ten years ago in the U.S. there were fewer than ten programs; today there are approximately 300 programs that have empowered tens of thousands of people to start and operate their businesses. In Europe, France is the only country that has started a large-scale microcredit program, but in Belgium, Germany, and the United Kingdom, similar programs are being designed. In the Post-Socialist countries of Eastern Europe a few programs have been created, including the Village Credit Funds project in Albania and the Mikrofund in Poland.²¹

HOW DO INDUSTRIALIZED COUNTRY BORROWERS TYPICALLY USE THEIR LOANS?

Microenterprises are usually found in the retail or service sectors. There are hundreds of possibilities. Examples from the service sector include opening a day care facility, a catering business, a house cleaning service, or a beauty salon. Examples from the retail sector include opening a flower stall or making and selling jewelry.

In Chicago, Judy struggled for years to raise her children while living on public assistance. To supplement her meager income, she began selling shoes door to door yet remained dependent on welfare and Medicaid benefits. Judy was referred to the Women's Self Employment Project, one of the many organizations helping women create their own jobs in some of the poorest areas of the U.S. Judy used her first loan of US\$600 to expand her business and today owns a retail shoe store. Her youngest son now plans on becoming a businessman himself one day.

²⁰ Microcredit Summit Plan of Action (January '97 Draft), Paragraph 19.3.

²¹ Microcredit Summit Declaration (January '97 Draft), Paragraph 5.2.

HOW IS MICROCREDIT RELEVANT TO THE ISSUE OF WELFARE REFORM IN THE U.S.?

The new 1996 U.S. welfare law requires that states move welfare clients into jobs according to a fixed schedule or lose part of their federal cash grants. Microcredit can help facilitate the transition from welfare to work because it has the potential to allow for the creation of many self-employment ventures at a relatively low cost to accommodate the influx of new workers, thus helping states to fulfill their "welfare-to-work" commitments.

The Self-Employment Investment Demonstration, a five-state, seven-year project initiated by the Corporation for Enterprise Development (CFED) in 1986, showed that many welfare clients were capable of using business credit, training, and related services to increase their income, and in many cases, to leave welfare. Participants' reliance on welfare as the primary source of income decreased 65% from the time of entry. Of all businesses started, 79% were still operating an average 2.6 years after starting.

CFED Chair Robert Friedman says of microenterprise in the US, "The importance of self-employment programs is not in the number who will take advantage of it—1-10% of welfare recipients—but in the whole new approach to combating poverty—one that recognizes and builds on the talents and effort of low-income people; one that invests in the expansion of low-income economies rather than simply maintaining consumption; one that builds assets—savings, skills, businesses, homes—rather than simply maintaining income."

WON'T REGULATORY BARRIERS PREVENT MICROCREDIT FROM WORKING WELL IN INDUSTRIALIZED COUNTRIES?

There are regulatory barriers which will need to be removed if microenterprise programs in industrialized nations are to reach their full potential. As the Summit Document states, "microenterprise development is usually omitted in laws designed to foster job training, economic development, and poverty alleviation—and its omission in law usually means an omission in practice. Further, 'safety nets' in industrialized countries usually embrace an ethic of protection, not of development, requiring citizens to exhaust their financial resources before qualifying for public assistance. In the U.S., for example, severe income and assets restrictions apply to those receiving food, medical or cash assistance. Such limitations preclude the possibility of developing the income and assets necessary to escape welfare through self-employment."²² Thus, industrialized countries will need to craft regulations which promote microenterprise development if the industrialized country portion of the Summit's goal is to be reached.

CAN MICROCREDIT PROGRAMS IN INDUSTRIALIZED COUNTRIES EVER HOPE TO BECOME FINANCIALLY SUSTAINABLE?

Microcredit programs in industrialized nations are developing models for organizational sustainability that will further accelerate the growth achieved in the field in the last decade. The economic context in which microentrepreneurs and microenterprise programs operate in

²² Microcredit Summit Plan of Action (January '97 Draft), Paragraph 19.8.1.

industrialized countries, however, is very different from most developing nations' economies. Self-employed individuals constitute a smaller percentage of the labor force in the industrialized world. In addition, industrialized country microcredit programs have unique challenges due to usury laws, lower volumes of lending, and greater demands for training and technical assistance. However, the Summit Document notes that programs in industrialized countries are committed to exploring ways of becoming self-sustaining so that, to the greatest extent possible, their operating costs will be covered through direct revenue from program services.²³

For More Information, contact Lara Honrado or Jennifer Robey in the Microcredit Summit Media Office, (202) 546-1900. Media can obtain a copy of the Summit Document (Declaration and Plan of Action) upon request.

²³ Microcredit Summit Declaration (January '97 Draft), Paragraph 5.3.3.2.



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THE MICROCREDIT SUMMIT

Statement by

Fawzi H. Al-Sultan

President

International Fund for Agricultural Development

Washington, D.C., 3 February 1997

IFAD - INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT • الصندوق الدولي للتنمية الزراعية - IFAD
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Mr. Chairman,

Victoria Mira, a courageous and hardworking woman farmer in El Salvador, shows the potential of microcredit programmes. Widowed and left with six children, she was driven from her farm by civil strife. At the end of the hostilities, however, a \$ 600 loan from an IFAD-supported project helped her to resume farming activities. Investing in a cow and a few chickens, she diversified her income. Through training provided by the project she has educated herself in a variety of fields, and today not only can she provide a sustainable livelihood for herself and her family, but in turn is helping others in her community.

Victoria Mira's example shows the power of microcredit, a power that IFAD has recognized in its operations over the last twenty years in carrying out its mandate to overcome rural poverty and hunger.

The rural poor do not need handouts and gifts. They have their own talents and labour, a deep knowledge of their environment and considerable under-utilized potential. Whenever the poor are given the opportunity, they grasp the chance eagerly to raise their incomes and reduce their vulnerability. Access to even small-scale deposit and credit services together with other productive services, can work something close to miracles.

Our experience, in a variety of conditions across the developing world, underlines that the rural poor are really bankable. Poor borrowers, especially women, can make productive use of credit and achieve repayment rates of over 90%, rates often much higher than those attained in conventional lending in poor countries. Investing in the poor can bring profit to the lender and hope to the beneficiaries.

Mr. Chairman,

We must nonetheless keep in mind not only the benefits, but also the limits of microfinance as a tool in promoting development. A loan constitutes a burden for the poor borrower and we must be sure that the conditions are suitable for its productive use so that it empowers rather than impoverishes the borrower.

While access to credit and savings facilities is crucial, it is not enough by itself to ensure sustainable development for the rural poor. The poor equally need access to better technologies, to health and education services, to fair markets and adequate infrastructure. Gender-sensitive concerns are important to ensure that assistance helps empower poor rural women. In all our projects, IFAD seeks to give due attention to building such an Enabling Micro Environment for the poor.

At the household level, the microfinance community must think about what kinds of loan and savings services would best serve individual borrowers and the village economy in which they live. Sometimes non-financial services like training programmes are as important as credit. Throughout our efforts, we must make sure our work addresses the real needs and priorities of the people we want to serve.

We also need to be realistic about the capacity of the microfinance providers themselves and how fast we can create more capacity. Banking with the poor requires good management ability, especially in controlling the costs of operations and in assessing risk. Capacity building takes time, but it must be done if results are going to last.

And finally, we have to make sure the financial sector as a whole is set up to support our efforts. IFAD works closely with the World Bank and with regional financial

institutions to promote reforms, as interest rate structure, monetary policy and requirements for registration and reserves can make or break microfinance providers.

Mr. Chairman,

At IFAD we have worked hard to meet these challenges. To date we have supported about 300 projects which include rural credit arrangements and we have funded microfinance operations totalling more than USD 1 billion. In all, these programmes have reached some 60 million people, that is over 10 million families. It is a small start towards the Summit goal of 100 million families, but it is still a significant start.

During these years, we have learned a great deal from this work, and recently we highlighted the main insights in a book published jointly by IFAD and the OECD. The book is called *Microfinance for the Poor?* and it is available here for Summit participants. Our point is that successful microfinance requires a balanced and careful approach, and while a powerful tool, credit needs to be combined with complementary measures to make real inroads in poverty.

We intend to continue to search for innovative approaches. IFAD is proud to have been the first international financial institution to assist the Grameen Bank in its early days.

It was in the context of supporting this venture that IFAD began its long-lasting association with RESULTS. Subsequently, we have helped to carry the Grameen approach to a number of other countries, and we are strong advocates for the way that private initiatives of this nature can help generate dynamic growth in the rural economy.

IFAD is now a significant player in supporting a multitude of micro-finance efforts. These include self-help groups that are linked to commercial banks, in Tamil Nadu in India

and in our Bank Rakyat partnership in Indonesia. Other IFAD projects in Asia and Latin America link rural smallholders to banks directly.

A recent innovation involves a type of "Village Banks". These are local financial service associations owned by the would-be village-level borrowers. Operational prototypes have been started in Guinea, Benin and South Africa, with interesting initial results and we will see how to build on them. But the innovations and experimentation on microfinancing must go on. For we believe that no single model of microfinance can work well in every case. Indeed, each situation is unique and lending institutions must always be flexible and creative.

Mr. Chairman,

The Microcredit Summit's goal of reaching 100 million of the world's poorest families, especially women, by the year 2005 is of the greatest importance. To help achieve this goal, IFAD is committed to allocating up to 30 percent of its own loan portfolio, or about USD 125 million a year, to promote financial services to the poorest.

We at IFAD have prepared our own institutional Action Plan for reaching Summit goals, and we are glad to share some elements with you. We will integrate the microfinance strategy into our overall programme planning and work with others, wherever possible, to further the Summit Action Plan. In this context, we will systematically support efforts by government agencies and private institutions to foster microfinance schemes as well as help build a knowledge network on rural microfinance.

Mr. Chairman,

Victoria Mira, the beneficiary of the IFAD project in El Salvador, was awarded the Women's World Summit Foundation Prize in 1996 in recognition of her creativity and

achievements. Today, what she achieved is still unusual but I am glad to say, no longer unique. The challenge before this Microcredit Summit and all our institutions gathered here, is to bring about conditions in which millions, indeed hundreds of millions of poor men and women all over the world, will be able to bring into their lives the same changes that Victoria Mira has brought. I am sure that the process we launch here will bring us to that noble goal.

Thank you.

Agenda at a Glance

Saturday, February 1

8:00 am	Registration Opens
1:00 pm	Exhibit Set-up
2:00 pm - 5:00 pm	Welcome Reception <i>The Delaware Suite</i>

Sunday, February 2

8:00 am	Registration Opens
10:00 am	Exhibits Open
1:00 pm - 3:30 pm	Opening Ceremony <i>Sheraton Ballroom</i>
4:00 pm - 6:00 pm	Council Meetings
6:15 pm - 7:00 pm	Delegation Meetings On Your Own
8:00 pm - 10:00 pm	Opening Dinner <i>Sheraton Ballroom</i>

Monday, February 3

7:30 am - 8:30 am	Breakfast On Your Own (<i>Atrium</i>)
9:00 am - 10:30 am	Plenary Session <i>Sheraton Ballroom</i>
11:00 am - 12:30 pm	Meet the Challenge Sessions I
12:30 pm - 3:00 pm	Lunch Break On Your Own (<i>Exhibit Hall B</i>)
3:00 pm - 4:30 pm	Meet the Challenge Sessions II
5:00 pm - 6:30 pm	Regional Plenaries/National Meetings
6:30 pm - 8:30 pm	Dinner Break On Your Own (<i>Exhibit Hall B</i>)
8:45 pm - 10:15 pm	Plenary Cultural Event <i>Sheraton Ballroom</i>

Tuesday, February 4

7:00 am - 8:00 am	Breakfast On Your Own (<i>Atrium</i>)
8:30 am - 9:30 am	Plenary Session <i>Sheraton Ballroom</i>
10:00 am - 11:30 am	Council Meetings
11:30 am - 1:30 pm	Lunch Break On Your Own (<i>Exhibit Hall B</i>)
1:30 pm - 3:00 pm	Closing Plenary <i>Sheraton Ballroom</i>

Microcredit Summit Agenda

SATURDAY, FEBRUARY 1

PRE-SUMMIT AGENDA

Registration Opens
8:00 a.m.

Exhibit Set-Up
1:00 p.m.

Welcome Reception
2:00 - 5:00 p.m.
The Delaware Suite

SUNDAY, FEBRUARY 2

SUMMIT AGENDA

Registration Opens
8:00 a.m.

Exhibits Open
10:00 a.m.

Opening Plenary
1:00 - 3:30 p.m.
Sheraton Ballroom

Performance by Kankouran African Dance Company
Video of Makgomo Mangena, micro-entrepreneur from South Africa
Introductions by Sam Daley-Harris, Director, Microcredit Summit

Speakers:

- H.E. Sheikh Hasina, Prime Minister of Bangladesh
- H.E. Yoweri Kakugutu Museveni, President of Uganda
- H.E. Alpha Oumar Konare, President of Mali
- H.E. Pascoal M. Mocumbi, Prime Minister of Mozambique
- H.M. Queen Sofia, The Queen of Spain

- Tsutomu Hata, Former Prime Minister of Japan
- Muhammad Yunus, Managing Director, Grameen Bank
- Dr. Siti Hasmah, First Lady of Malaysia
- Huguette Labelle, President, Canadian International Development Agency
- Robert Shapiro, Chairman and CEO, Monsanto Company
- Ela Bhatt, General Secretary, Self Employed Women's Association
- Federico Mayor, Director-General, UNESCO
- Dr. William Vendley, Secretary General, World Conference on Religion and Peace
- Michael Chu, President and CEO, ACCION International
- Sen. Rino Serri, Under-Secretary of State, Ministry of Foreign Affairs, Italy
- Connie Evans, President, Women's Self-Employment Project
- Dr. Eduardo Pablo Amadeo, National Secretary for Social Development, Argentina
- Ismail Serageldin, Vice President, The World Bank

Announcements by Dr. William Foege, Executive Director, Task Force for Child Survival and Development

Council Meetings
4:00 - 6:00 p.m.

Delegates and observers should attend the council meeting appropriate to their institution.

- Heads of State and Government-*The Ethan Allen Room*
- Domestic Government Agencies-*The Nathan Hale Room*
- Joint Meeting of UN Agencies, International Financial Institutions and Donor Agencies-*The Delaware Suite*
- Parliamentarians-*The Calvert Room*
- Practitioners in Developing Countries-*The Sheraton North Ballroom*
- Practitioners in Industrialized Countries-*The Sheraton South Ballroom*
- Banks and Commercial Financial Institutions-*The Holmes Room*
- Corporations-*The Colorado Room*

- Foundations and Philanthropists-*The Marshall Room*
- Advocates and Service Clubs-*The Washington Ballroom*
- NGOs-*The Cotillion Ballroom*
- Educational Institutions-*The Warren Room*
- Religious Institutions-*The Vermont Room*

Delegation Meetings on Your Own
6:15 - 7:00 p.m.

Opening Dinner
8:00 - 10:00 p.m.
The Sheraton Ballroom

Performance by the Bangladesh Cultural Group
Video of Mursheda Begum, micro-entrepreneur from Bangladesh
Introductions by Sam Daley-Harris, Director, Microcredit Summit

Speakers:

- Jack Litzenberg, Program Officer, Charles Stewart Mott Foundation
- Paul Ostergard, President, Citicorp Foundation
- Ambassador Juan Somavia, Permanent Representative of Chile to the United Nations and Chairman of the Main Committee of the World Summit for Social Development

Performance by David Pomeranz

MONDAY, FEBRUARY 3

Breakfast
7:30 - 8:30 am

A reasonably priced continental breakfast will be available in the Atrium, outside the Exhibit Hall, for Summit participants

Plenary
9:00 - 10:30 a.m.
The Sheraton Ballroom

Performance by Ollantay, music from Latin America
Video of Mercedes Mamane, microentrepreneur from Bolivia
Report from Council Meetings and introductions by Margaret Catley-Carlson, President, Population Council

Speakers:

- Carol Bellamy, Executive Director, United Nations Children's Fund
- Dr. Nafis Sadik, Executive Director, United Nations Population Fund
- Nancy Barry, President, Women's World Banking
- Noeleen Heyzer, Executive Director, United Nations Fund for Women
- J. Brian Atwood, Administrator, United States Agency for International Development
- Fawzi Al-Sultan, President, International Fund for Agricultural Development
- Richard Child, President, Latin American Region, MasterCard International
- Robert E. Rubin, Secretary of the U.S. Treasury
- Hillary Rodham Clinton, First Lady of the United States

Signing of *Declarations of Support*
Performance by the World
Children's Choir

Collection of the *Declarations of Support* by fifth-grade students
from Sandy Spring Friends School

Meet the Challenge Sessions I

11:00 am- 12:30 pm

The Basics of Designing a Sustainable Microcredit Program to Serve Very Poor People in Developing Countries (finding training, setting appropriate interest rates, ensuring loan repayment, setting performance and impact standards, ensuring borrower participation, establishing savings)
The Sheraton South Ballroom

Moderator:

Muhammad Yunus, Grameen Bank

Panelists:

Christopher Dunford, Freedom from Hunger; Kimanthi Mutua, KREP; Srividhya Rajagopalan, Working Women's Forum (India); Sonia B. Saltzman, ACCION International

The Basics of Designing a Sustainable Microcredit Program to Serve Very Poor People in Developing Countries (see above) (in Spanish)
The North Cotillion Ballroom

Moderator:

John Hatch, FINCA

Panelists:

Jackie Bass, Save the Children; Ellen van der Bruegge, Freedom from Hunger; Sharon D'Onofrio, Catholic Relief Services; Alicia Poucar, FINCA Nicaragua

The Basics of Designing a Sustainable Microcredit Program to Serve Very Poor People in Developing Countries (see above) (in French)
The South Cotillion Ballroom

Moderator:

Kathleen Stack, Freedom from Hunger

Panelists:

Reda Mamari, Save the Children Lebanon; Alou Sidibe, Kafo Jiginew; Lawrence Yanovitch, FINCA International

The Basics of Designing a Sustainable Microcredit Program to Serve Poor People in Industrialized Countries
The Washington Ballroom

Moderator:

Peggy Clark, The Aspen Institute

Panelists:

Jeffrey Ashe, Working Capital; Sarah Forster, The World Bank; Peter Nares, Self-Employment Development Initiatives; Christopher Sikes, Western Massachusetts Enterprise Fund

Building Effective Microcredit Programs to Serve Very Poor People in Eastern Europe
Maryland Room C

Moderator:

Maria Nowak, ADIE

Panelists:

Rosalind Copisarow, Fundusz Mikro; Konini Zana, Albanian Development Fund; Neyira Nalic, BOSPO; Roger Voorhies, Micro Initiative, Inc.

Methodology for Reaching the Poorest and Covering Costs
Meeting Room 1, Exhibit Hall B

Moderator:

David Gibbons, CASHPOR

Panelists:

Edwardo Bazoberry, PRODEM, Bolivia; John DeWit, Small

Enterprise Foundation; Delores McLaughlin, PLAN International

Moving Toward Institutional Sustainability in Developing Countries (setting appropriate interest rates, ensuring repayment, keeping costs down)

Delaware Room A

Moderator:

Nancy Barry, Women's World Banking

Panelists:

Clara Akerman, Fundacion WWB; Humaira Islam, Shakti Foundation; Jennifer Riria, Kenya Women Finance Trust

Moving Toward Institutional Sustainability in Industrialized Countries (setting appropriate interest rates, ensuring repayment, keeping costs down)

Delaware Room B

Moderator:

Bill Burrus, ACCION USA

Panelists:

Mary Coyle, Coady International Institute; Mary Dupont, YWCA New Castle County, Delaware; Delma Soto, ACCION New York

Establishing Management Information Systems to Assess Organizational Strength and to Effectively Manage

The Taft Room

Moderator:

Dipal Chandra Barua, Grameen Bank

Panelists:

Jaime D. Arguello, FINCA International; Masud Isa, Grameen Shamogree; Joyce Kadandara, World Health Organization; Graham Perrett, Freedom from Hunger

Designing Cost Effective Business Development Services for Poor Clients in Industrialized Countries
Virginia Room B

Moderator:

Mary Matthews, Northeast Entrepreneur Fund, Inc.

Panelists:

Frank Ballesteros, PPEP; Marcie Goldstein-Gelb, Working Capital; Leslie Tyler, FINCA USA

Monitoring Program Impact in the Lives of the Clients

The Sheraton North Ballroom

Moderator:

Nocleen Heyzer, UNIFEM

Panelists:

Pancho Otero, MPI; Helen Todd, CASHPOR; Aida Toure, FDEA; Jayshree Vyas, SEWA

Developing New Financial Products and Services in Response to Client Need

The Johnson Room

Moderator:

Abdelmajid Slama, IFAD

Panelists:

Dr. Cecilia D. del Castillo, NWTF; J. Howard M. Jones, University of Reading, UK; Mohini Malhotra, CGAP Secretariat; Miguel Taborga, Inter-American Development Bank

Participatory Methodologies: Maximizing Client Participation in Design, Management, and Evaluation of Lending Group Activities

Lanai Room 152

Moderator:

Ela Bhatt, SEWA

Panelists:

Febbie Kaufulu, FINCA Malawi; Jonathan Taylor, North Capitol Neighborhood Development, Inc.; Carmen Velasco, Pro Mujer

Designing Cost-Effective Business Development Services for Very Poor People in Developing Countries

Virginia Room C

Moderator:

Rich Williamson, Mayer, Brown & Platt

Panelists:

Gilberto Amaya, ATI; Lara Goldmark, Inter-American Development Bank; Andy Jeans, Intermediate Technology

Ensuring That a Repayment Problem Does Not Become a Repayment Crisis

The Colorado Room

Moderator:

H.I. Latifee, Grameen Trust

Panelists:

Barbara Calvin, Calmeadow; Chris Hock, Rural Finance Facility; Sukor

Kasim, University Sains Malaysia; Mila G. Mercado-Bunker, AHON-SA HIRAP, Inc.

Where Are the Sources of Grant Funds for Microcredit Programs in Developing Countries

(What is available? How can it be improved? How can it lead to sustainable institutions that serve the very poor?) **(in Spanish)**

The Marshall Room

Moderator:

Rupert Scofield, FINCA International

Panelists:

Jose Luis Curbelo, Inter-American Development Bank; Santa de Euceda, ODEF; Gladys de Enriquez, FINCA Honduras; James Franz, Opportunity International

UN Agency Funding of Microcredit Programs

(What is available? How can it be improved? How can it lead to sustainable institutions that serve the very poor?)

The Holmes Room

Moderator:

Ellen Johnson Sirleaf, UNDP

Panelists:

Carol Bellamy, UNICEF; Poul Grosen, UNCDF; K. Tapiola, ILO

Donor Agency Funding of Microcredit

(What is available? How can it be improved? How can it lead to sustainable institutions that serve the very poor?)

The Warren Room

Moderator:

Beth Rhyne, USAID

Panelists:

Lars Ekengren, Sida; Sally Shelton-Colby, USAID; Deborah Stokes, AusAID; Hisao Tanimoto, OECF; David Wright, ODA

Domestic Government Agency Funding of Microcredit Programs in Developing Countries

(What is available? How can it be improved? How can it lead to sustainable institutions that serve the very poor?)

The Calvert Room

Moderator:

Dr. Salehuddin Ahmed, PKSF

Panelists:

Albertine Gnazan Hepie, Minister of Family and Women's Affairs, Cote d'Ivoire; Robert S. De

Ocampo, Finance Secretary, The Philippines; P.A. Kiriwandeniya, Federation of Thrift and Credit Cooperative Societies Limited (Sri Lanka); Dr. Atiqur Rahman, IFAD

International Financial Institution Lending for Microcredit

(What is available? How can it be improved? How can it lead to sustainable institutions that serve the very poor?)

The Kansas Room

Moderator:

Ismail Serageldin, The World Bank

Panelists:

Nancy Birdsall, Inter-American Development Bank; Jim Moody, IFAD; Maria Otero, ACCION International; Mieko Nishimizu, The World Bank; Peter Sullivan, Asian Development Bank

Financing Microcredit Programs: Mobilizing Savings and Ensuring Their Safe Use

The Idaho Room

Moderator:

Eleanor Howard, Inter-American Development Bank

Panelists:

Carlos Cuevas, The World Bank; Barry Lennon, USAID; David C. Richardson, World Council of Credit Unions; J.D. Von Pischke, consultant

Finding Microcredit Programs to Support: A Guide for Funders

The Truman Room

Moderator:

Gert Van Maanen, ECDS

Panelists:

M. Udaia Kumar, SHARE; Lamiya Morshed, Grameen Trust; Anne Haines Yatskowitz, ACCION New Mexico

When is a Program Ready to Access Commercial Funds? A Discussion of Commercial Standards

The Wisconsin Room

Moderator:

Michael Chu, ACCION International

Panelists:

Heather Clark, USAID; Debra Drake, ACCION International; Jenny Hoffmann, Khula Enterprise Finance Ltd.

Foundation Funding of Microcredit: An Overview of Current Trends and How to Expand the Number of Funders in the U.S. and Canada

The Vermont Room

Moderators:

Sarah K. Gould, Ms. Foundation for Women; Jack Litzenberg, Charles Stewart Mott Foundation

Panelists:

Michele Lord, Norman Foundation; Lisa Mensah, The Ford Foundation; Janet Thompson, Citibank

What Is My Company's Deep Strategic Interest in the Fulfillment of the Summit's Goal, and How Can I Educate and Enlist Others to Work to Support It?

The Nathan Hale Room

Moderator:

Charlotte Rush, MasterCard International

Panelists:

Amo Houghton, US House of Representatives; Robert Harness, Monsanto Company

How Can Microcredit Practitioners in Developing Countries Build National Networks and Associations?

The Eisenhower Room

Moderator:

Elaine Edgcomb, The SEEP Network

Panelists:

Vijayalakshmi Das, Friends of Women's World Banking; Alelle Dondo, Kenya Rural Enterprise Program; Diego Guzman, ACCION Columbia; Benjamin Montemayor, TSPI Development Corporation

How Can Microcredit Practitioners in Industrialized Countries Build National Networks and Associations?

The Roosevelt Room

Moderator:

Chris Benuzzi, AEO

Panelists:

Alison Feighan, Robert A. Rapoza Associates; Donna Fabiani, FINCA USA; Bob Friedman, Corporation for Enterprise Development

How Can Microcredit Practitioners in Developing Countries Build National Networks and Associations? (in Spanish)

Lanai Room 156

Moderator:

C. Aguilar Cruz, COPEME

Panelists:

Sincrito Cifuentes, FENACOAC; Jorge Oroza Manrique, Catholic Relief Services; Leo Soldaat, Women Finance Trust of Zambia; Gory Suarez, Corfas

How Can Microcredit Practitioners in Developing Countries Build National Networks and Associations? (in French)

Lanai Room 160

Moderator:

Candace Nelson, The SEEP Network

Panelists:

Kotsoni Akemakou, Fucec, Togo; Natoh Mantia, Fidi; Alpha Ouedrago, RCPB; Didier Thys, Catholic Relief Services

How Can Parliamentarians, Advocates, and Other Leaders Get High-level Government Commitment to Microcredit Programs and the Summit's Goal?

The Woodley Room

Moderator:

Adelheid Troscher, German Bundestag

Panelists:

Dr. Winfried Finger, German Bundestag; Clare Short, British House of Commons; Wakako Hironaka, House of Councillors, Japan; Toby Moffett, Monsanto Company

Hearing from the Clients

Meeting Room 2, Exhibit Hall B

Moderator:

Rosina Wiltshire, UNDP

Panelists:

Patrisia Akoth Amolo, Kenya Rural Enterprise Program; Emilio Reyes Ramos, ACCION Peru; Hortensia Contreras, FINCA El Salvador; Taslima Akter, South Asia Poverty Alleviation Program

Microcredit and The Media

The Kennedy Room

Moderator:

Mike Kiernan, InterAction

Panelists:

Michael Serrill, *Time Magazine*;

Michelle Singletary, *The Washington Post*; Gabriela Romanow, ACCION International

Linking Microcredit with Health

Lanai Room 144

Moderator:

Dr. Rodriquez-Garcia, George Washington University

Panelists:

Dr. A. El-Bindari Hammad, World Health Organization; Dr. Bettina Schwethelm, Project HOPE; Maria Sokenu, Institute for Poverty Eradication; Dr. William Waters, George Washington Center for International Health

How Can Employees of Multi-national Corporations, Service Club Members and Others Find and Appropriately Support Local Microcredit Programs?

Lanai Room 148

Moderator:

Marshall Saunders, International Fellowship of Rotary

Panelists:

Susy Cheston, Women's Opportunity Fund; S. Devaraj, ASA; Iris Lanao de Salinas, FINCA Peru; Helenmarie Zachritz, FEMAP Foundation

Lunch Break on Your Own

12:30 - 3:00 p.m.

A reasonably priced lunch will be available in Exhibit Hall B.

Meet the Challenge Sessions II

3:00 - 4:30 p.m.

The Basics of Designing a Sustainable Microcredit Program to Serve Very Poor People in Developing Countries (finding training, setting appropriate interest rates, ensuring loan repayment, setting performance and impact standards, ensuring borrower participation, establishing savings)

The Sheraton South Ballroom

Moderator:

Aminul Alam, BRAC

Panelists:

Dipal Chandra Barua, Grameen Bank; Martin Burt, Mayor, Asuncion, Paraguay; M. Udaia Kumar, SHARE; Rupert Scofield, FINCA International

The Basics of Designing a Sustainable Microcredit Program to Serve Very Poor People in Developing Countries (see above) (in Spanish)

The North Cotillion Ballroom

Moderator:

John Hatch, FINCA

Panelists:

Jackie Bass, Save the Children; Ellen Vorder Bruegge, Freedom from Hunger; Sharon D'Onofrio, Catholic Relief Services; Alicia Paucar, FINCA Nicaragua

The Basics of Designing a Sustainable Microcredit Program to Serve Very Poor People in Developing Countries (see above) (in French)

The South Cotillion Ballroom

Moderator:

Didier Thys, Catholic Relief Services

Panelists:

Alpha Ouedraogo, RCPB; Alain Plouffe, Socodevi; Kathleen Stack, Freedom from Hunger

The Basics of Designing a Sustainable Microcredit Program to Serve Poor People in Industrialized Countries

The Washington Ballroom

Moderator:

Connie Evans, WSEP

Panelists:

Frank Ballesterio, PPEP; Jeannine Jacokes, CDFI Fund; Peter Nares, SEDI, Karen Sherman, Counterpart International

Methodology for Reaching the Poorest and Covering Costs

The Sheraton North Ballroom

Moderator:

Sukor Kasim, University Sains Malaysia

Panelists:

S. Devaraj, ASA; John DeWit, Small Enterprise Foundation; Christopher Dunford, Freedom from Hunger; Delores McLaughlin, PLAN International

Moving Toward Institutional Sustainability in Developing Countries (see morning session) (in Spanish)

Delaware Room A

Moderator:

Maria Otero, ACCION USA

Panelists:

Carlos Castello, ACCION International; Maria Marta Padilla, FINCA Costa Rica; Mauricio Rojas, Banco del Desarrollo; Richard Rosenberg, CGAP Secretariat

Moving Toward Institutional Sustainability in Industrialized Countries (setting appropriate interest rates, ensuring repayment, keeping costs down)

Delaware Room B

Moderator:

Jeffrey Ashe, Working Capital

Panelists:

Janie Barrera, ACCION Texas; Rosalind Copisarow, Fundusz Mikro; Martin Connell, Calmeadow; Christopher Sikes, Western Massachusetts Enterprise Fund

Going to Scale: Lessons from Global Health Programs and Other Experts in Expansion

Maryland Room C

Moderator:

Bill Foege, MD, The Carter Center

Panelists:

Dr. Marcel Galiba, Sasakawa/Global 2000; Ciro A. de Quadros, MD, MPH, Pan American Health Organization

Managing the Growth of Microcredit Programs: Recruiting and Training Staff

Virginia Room B

Moderator:

Muhammad Yunus, Grameen Bank

Panelists:

Steve Gross, ACCION International; Atiqun Nabi, BRAC; Iris Lanao de Salinas, FINCA Peru

Monitoring Program Impact in the Lives of the Clients

Virginia Room C

Moderator:

Thomas Joseph, ACTIONAID - Ethiopia

Panelists:

Renee Chao Beroff, CIDR; Susan Johnson, ACTIONAID; Shahidur Khandaker, The World Bank

Designing Cost Effective Business Development Services for Very Poor People in Developing Countries

The Johnson Room

Moderator:

Andy McGuire, ATI

Panelists:

Hank Jackelen, UNDP; Alexandra Overy, Save the Children; Hassan Zaman, BRAC

Managing the Growth of Microcredit Programs: Using a Spreadsheet or Model to Plan for Scaling Up

The Colorado Room

Moderator:

Ken Koskela, Opportunity International

Panelists:

Jamie D. Atguella, FINCA International; David Gibbons, CASHPOR; Maria Eugenia Iglesias, Finasol S.A.; Masud Isa, Grameen Shamogree

What Can Commercial Banks and Microcredit Institutions Learn from Each Other?

The Warren Room

Moderator:

Nancy Barry, Women's World Banking

Panelists:

Mercedes Canalda, ADOPEM; Chris Hock, Rural Finance Facility; Lisa Mensah, The Ford Foundation; Jayshree Vjas, SEWA

Participatory Methodologies: Maximizing Client Participation in Design, Management, and Evaluation of Lending Group Activities

Lanai Room 152

Moderator:

Jaya Arunachalam, Working Women's Forum (India)

Panelists:

Dr. Cecelia D. Del Castillo, NWTF; Osvaldo N. Feinstein, IFAD; LaDoris Payne, WomanSpirit

Targeting Very Poor Youth as Clients of Microcredit Programs

The Woodley Room

Moderator:

David Newing, The Canadian Youth Business Foundation

Panelists:

Suzan Habachy, The Trickle Up Program; Patrice LeFleur, Commonwealth Youth Program; Estella Richardson, Street Kids International; Mantha Sharma, Bharatiya Trust

Grant Funding of Microcredit Programs in Developing Countries (What are the sources of grant funds for seeding and scaling-up institutions and for practitioner networks? How can these funds lead to sustainable institutions that serve very poor people? What funds are available for loan capital? What funds are available for capacity building?)

The Holmes Room

Moderator:

Mark van der Voet, Ministry of Foreign Affairs, The Netherlands

Panelists:

Dr. John L. Mason, Monsanto Fund; Marilou van Golstein

Brouwers, Triodos Bank N.V.;

Fernando Lucano, SIDI

Grant Funding of Microcredit Programs in Europe (see above)

The Calvert Room

Moderator:

Malcolm Hayday, Charities Aid Foundation

Panelists:

Viviane Vandemeulebroucke, INAISE;

B. Van Oven, Doen Foundation

Finding Microcredit Programs to Support: A Guide for Funders

The Truman Room

Moderator:

Elaine Edgcomb, The SEEP Network

Panelists:

Brandee Galvin-McHale, Citicorp Foundation; Gregory A. Ratliff,

MacArthur Foundation; Anna

Wadia, Ms. Foundation for

Women; Henrie M Treadwell,

W.K. Kellogg Foundation

Guarantee Funds (Their purpose and experience; equity funds and pooled investment funds)

The Kansas Room

Moderator:

Michael Chu, ACCION International

Panelists:

Stefan Harpe, Calmeadow; Donna

Katzin, Shared Interest; Sonia B.

Saltzman, ACCION International;

Alex Silva, PROFUND Internacio S.A.

Financing Microcredit Programs: Mobilizing Savings and Ensuring Their Safe Use
Lanai Room 144

Moderator:

Shafiqul Haque Choudhury, ASA

Panelists:

Victorine Ktohazounde, ACCOSCA;

Pancho Otero, MPI; Chris De

Noose, WSBI; Rauno Zander, IFAD

How Can Microcredit Programs in Developing Countries

Establish Relationships with

Local Banks?

The Idabo Room

Moderator:

Kathy Waldron, Citibank N.A.

Panelists:

John Conroy, Foundation Development Corporation; Gil Crawford, Seed;

Ahmed Jazayeri, IFAD; Lisa

Lindsley, ACCION International

How Can Microcredit Programs in Industrialized Countries

Establish Relationships with

Local Banks?

The Wisconsin Room

Moderator:

Gary Hattem, Bankers Trust

Panelists:

Peter Blom, Triodos Bank; John

Else, Institute for Social and

Economic Development; Terry

Mollner, Calvert Social Investment

Fund; Delma Soto, ACCION New

York; Kim Wilson, Working Capital

Finance Minister and Multilateral Bank Perspectives on Microenterprise

The Nathan Hale Room

Moderator:

Robert Rubin, Secretary of the U.S. Treasury

Invited panelists include representatives from the The World Bank, Asian Development Bank, African Development Bank, Inter-American Development Bank, European Bank for Reconstruction and Development, and other finance ministers.

How Can I Enlist Others in My Service Club, School, or Religious Institution and Educate Them About Microcredit and the Summit's Goal?

The Vermont Room

Moderator:

Louis Knowles, EDCS

Panelists:

Robert Clemetson, New

Community Baptist Church;

Maureen Fenlon, EDCS; Kathy

Pomroy, Bread for the World;

Steven Rickard, Rickard Realty

Advisors, Inc.

Identifying and Addressing Regulatory Obstacles to the Growth of Microcredit Programs in Developing Countries

The Taft Room

Moderator:

Kimanthi Mutua, Kenya Rural

Enterprise Program

Panelists:

Shari Berenbach, Calvert Social

Investment Fund; Janney

Carpenter, Shorebank Advisory

Services; Rachel Rock, ACCION

International; Jennifer Riria, Kenya

Women Finance Trust

Identifying and Addressing Regulatory Obstacles to the Growth of Microcredit Programs in Industrialized Countries

Lanai Room 156

Moderator:

Lawrence Yanovitch, FINCA

International

Panelists:

Dr. Paul Armbruster, DGAV;

Bob Friedman, Corporation for

Enterprise Development; Pieter van

Gils, VanCity Savings Credit Union;

Maria Nowak, ADIE

How Can Advocates and Other Leaders Get High-level Government Commitment to Microcredit Programs and the Summit's Goal?

Meeting Room 1, Exhibit Hall B

Moderator:

Lois Barber, EarthAction

Panelists:

Sheila Davie, RESULTS UK; Dr. Hakra

Gurung, Asian and Pacific

Development Center; Julia Taft,

InterAction

Using the Media to Educate the Public about Microcredit and the Summit's Goal

The Eisenhower Room

Moderator:

David Butts, Bloomberg Business News

Panelists:

Peter Demchuk, *Nightline*; Steve Dryden, *Bloomberg News*; Carol Douglass, FINCA International

Hearing from the Clients

The Marshall Room

Moderator:

Rosina Wiltshire, UNDP

Panelists:

M.A. Hamid, South Asia Poverty Alleviation Program; Chandra Jagaria, SEWA; Taisei Matsuki, Japanese Mission; Fructuosa Quispe, PRO-DEM; Maseote Alice Semosa, Small Enterprise Foundation

Accessing Microcredit**Information on the Internet**

Meeting Room 2, Exhibit Hall B

Presenter:

Hari Srinivas, creator of the Informal Credit Homepage in Japan, will present an Internet demonstration

Microcredit Programs and the Environment

The Roosevelt Room

Moderator:

Dean Pallen, CIDA

Panelists:

Dan Biller, The World Bank; Tammy E. Newmark, TechnoServe; Mike Saxenian, Conservation International; Karin Theophile, US Forest Service

**Regional Plenaries/
National Meetings**

5:00 - 6:30 p.m.

- **Africa**

The Sheraton North Ballroom

- **Asia and Pacific**

The Sheraton South Ballroom

- **Canada**

The Delaware Suite

- **Europe**

Virginia Rooms B and C

- **Latin America**

The Cotillion Ballroom

- **USA**

The Washington Ballroom

Dinner Break on Your Own

6:30 - 8:30 pm. (*Exhibit Hall B*)

Plenary Cultural Event

8:45 - 10:15 pm

The Sheraton Ballroom

Performance by Ganga, music from India

Performance by Ollantay, music from Latin America

Performance by Kantouran African Dance Company

TUESDAY, FEBRUARY 4

Breakfast on Your Own

7:00 - 8:00 am (*Atrium*)

Plenary

8:30 - 9:30 am

The Sheraton Ballroom

Performance by David Pomeranz

Video of Joanna Sampson-McCabe, microentrepreneur from the United States

Introductions by Kathy Waldron, Vice President, Citibank N.A.

Speakers:

- Bella Abzug, President, Women's Environment and Development Organization
- Dr. Harka Gurung, Director, Asian and Pacific Development Center
- Poul Grosen, Executive Secretary, United Nations Capital Development Fund
- P.A. Kiriwandeniya, Chairman, Federation of Thrift and Credit Co-operative Societies, Ltd.
- Ellen Johnson Sirleaf, Director, Regional Bureau for Africa, United Nations Development Program
- Wakako Hironaka, Member, House of Councillors, Japan
- Mazide Ndiaye, President and CEO, FAVDO

Council Meetings

10:00 - 11:30 am

Delegates and observers should attend the council meeting appropriate to their institution. Please see room assignments on page 5.

Lunch Break on Your Own

11:30am - 1:30pm (*Exhibit Hall B*)

Closing Plenary

1:30 - 3:00 pm

The Sheraton Ballroom

Performance by Ganga, music from India

Video of Ramila and Moti Parmar, microentrepreneurs from India
Introductions by Sam Daley-Harris, Director, Microcredit Summit

Speakers:

- John Hatch, Founder, FINCA
- Dr. A. El-Bindari Hammad, Executive Administrator for Health Policy in Development, World Health Organization
- Prof. Dr. Winfried Pinger, Member of Parliament, Development Spokesman CDU/CSU, Germany
- Enrique Iglesias, President, Inter-American Development Bank
- James Gustave Speth, Administrator, United Nations Development Program
- James D. Wolfensohn, President, The World Bank
- Communique from Heads of State and Government: H.E. Sheikh Hasina, Prime Minister of Bangladesh

Video with music by microentrepreneurs and their communities
Performance by a gospel choir from the United States

Working to ensure that 100 million of the world's poorest families, especially the women of those families, are receiving credit for self-employment and other financial and business services by the year 2005

Honorary Co-Chairs

Hillary Rodham Clinton
United States First Lady

Tsutomu Hata
Former Prime Minister, Japan

Her Majesty, Queen Sofia
Spain

Organizing Committee

Nancy Barry
President
Women's World Banking

Ela Bhatt
General Secretary, Self Employed
Women's Assoc., India

Margaret Catley-Carlson
President
Population Council

Michael Chu
President and CEO
ACCION International

Connie Evans
President, Women's Self-
Employment Project, USA

William Foege, MD, MPH
Exec. Dir., Task Force for
Child Survival and Development

John Hatch, PhD
Founder
FINCA, Guatemala

Wakako Hironaka
Member, House of Councillors
Japan

Ismail Serageldin
Vice President
The World Bank

Ellen Johnson Sirleaf
Reg. Dir., Bureau for Africa
UN Development Program

Kathy Waldron
Vice President
Citibank N.A.

Muhammad Yunus, PhD
Managing Director
Grameen Bank, Bangladesh

Summit Director

Sam Daley-Harris
President, RESULTS International
RESULTS Educational Fund

*Organizations listed for
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MOTT FOUNDATION**

MasterCard International

Monsanto Fund

THE GOAL

The purpose of the Microcredit Summit is to launch a global campaign and adopt a plan of action for reaching 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 the year 2005.

The Summit will bring together all sectors of global society—public, private, and non-profit—to affirm this goal and to develop the concrete action steps each institution will take to contribute to its fulfillment.

THE DECLARATION AND PLAN OF ACTION

The Microcredit Summit Declaration summarizes the case for microcredit as a critical anti-poverty tool and outlines the principles that contribute to success. The Plan of Action describes the organizational and financial infrastructure necessary to reach 100 million of the world's poorest families with microcredit, and will outline the contribution each sector of society can make to the fulfillment of this goal.

The Microcredit Summit will be the culmination of a twenty-month process of developing this document. By February 1997, the Microcredit Summit Declaration and Plan of Action will have undergone five revisions, having been circulated for comment to thousands of individuals and institutions. By February 1997, two Microcredit Summit Preparatory Meetings (November 1995 and September 1996) and several regional forums will have been held to facilitate additional comment on the document. The Microcredit Summit Organizing Committee oversees the revision of this document and substantively contributes to its development. The Summit Declaration and Plan of Action will be distributed in final form *before* the February 1997 Summit.

THE COUNCILS

The Microcredit Summit Councils are the basic structures through which the global campaign will be implemented. Organized by constituency, the Councils will be a forum for similar organizations to support one another in developing and implementing institutional actions plans for contributing to the Summit goal.

Members of the Microcredit Summit Councils make the following commitments:

- Educate their own institution, and others they reach, about the Microcredit Summit;
- Designate senior representatives to attend the Microcredit Summit;
- Prepare an action plan outlining their institution's future contribution to the Summit goal, to be completed either by the Summit or by February 1998.

Only those institutions that have joined a Microcredit Summit Council will be entitled to send a delegation to the Microcredit Summit.

The Microcredit Summit Councils include:

Council of United Nations Agencies
Council of Donor Agencies
Council of International Financial Institutions
Council of Parliamentarians
Council of Domestic Government Agencies
Council of Heads of State and Government
Council of Practitioners³

Council of NGOs¹
Council of Advocates²
Council of Banks and Commercial Finance Institutions
Council of Corporations
Council of Religious Institutions
Council of Service Clubs
Council of Foundations and Philanthropists

THE SUMMIT

Thousands of representatives of Microcredit Summit council member institutions will gather at the Summit to affirm their personal and institutional commitments to the goal of reaching 100 million of the world's poorest families with credit for self-employment by the year 2005.

The Summit's agenda is designed to celebrate these commitments, and to facilitate their further development into concrete action plans outlining each institution's contribution to the fulfillment of the Summit goal.

The Summit will provide a forum to share strategies for contributing to the Summit goal, to plan for council-wide goals and actions, and to network with others who are active in their nation or geographical region.

¹ Non-Governmental Organizations that are not currently involved in microcredit but are involved in delivering social services in the field (i.e. literacy, health, family planning, agriculture) are encouraged to join the Microcredit Summit Council of NGOs.

² Non-Governmental Organizations that do not deliver social services in the field but that are involved in education, advocacy, fundraising, policy development, or research are invited to join the Microcredit Council of Advocates.

³ The Microcredit Summit Organizing Committee has defined a practitioner organization as any organization involved in administering microcredit loans or providing training to organizations who administer microcredit loans.



Working to ensure that 100 million of the world's poorest families, especially the women of those families, are receiving credit for self-employment and other financial and business services by 2005.

FOR IMMEDIATE RELEASE
January 30, 1997

Contact: 202/546.1900 or 703/558.0142
Lara Honrado/Jennifer Robey/Michael MacHarg

BIG PLAN FOR SMALL LOANS RELEASED IN PREPARATION FOR MICROCREDIT SUMMIT

Born into a low caste in rural Nepal, Somi Devi and her husband, a landless day laborer, had been living in extreme poverty for the first 16 years of their marriage. Having no reliable source of income, they had great difficulty feeding and clothing their four children before they discovered the microcredit program of the Centre for Self-Help Development. With her first tiny loan from the Centre, Somi bought a baby buffalo, reared it and sold it for a handsome profit six months later. With her second loan, she bought a pair of buffalo and .1 hectare of land with the proceeds of the first buffalo sale. For the first time, she is the proud owner of her own small piece of land to live on. Moreover, she now sends her children to school, and they help her herd the cattle when they return home each day.

Washington, D.C., January 30, 1997 - At a news conference in Washington today, organizers of the first global Microcredit Summit released a document which outlines the gathering's plans for reaching 100 million of the world's poorest families, especially the women of those families, with access to credit and other financial and business services by the year 2005.

Microcredit programs provide tiny loans to the very poor to help them start or expand small self-employment ventures and is helping millions of families around the world work their way out of poverty with dignity, yet only a fraction of those in need are currently being reached.

More than 2,000 people from nearly 100 nations are expected at the February 2-4, Microcredit Summit.

The gathering has garnered support from First Lady Hillary Rodham Clinton, Prime Minister Sheikh

Hasina of Bangladesh, President Alpha Oumar Konare of Mali, President Yoweri Museveni of Uganda, Prime Minister Pascoal Mocumbi, Queen Sofia of Spain, and Queen Fabiola of Belgium, all in town for the event.

The Summit Declaration estimates that eight million very poor clients are being reached currently. Of the remaining 92 million additional clients to reach the Summit's goal, it is estimated that 88 million will come from developing countries and four million from industrialized countries.

The Plan of Action estimates that \$21.6 billion will be required over the next nine years with \$10 billion estimated to come from funds borrowed at commercial rates and from the savings of the borrowers and others in their communities. The plan warns, however, that the greatest challenge will be developing institutions that can effectively reach very poor clients and places a major focus on institutional development.

The World Bank, Citibank, Monsanto Company, MasterCard International, Charles Stewart Mott Foundation, and the UN Development Program are among the more than 1000 institutions that have committed to announcing plans over the next 12 months for contributing to the Summit's goal.

Today's news conference coincides with the presentation of Presidential Microenterprise Awards at the White House this afternoon. The Microcredit Summit will be held at the Sheraton Washington Hotel.

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MICROCREDIT SUMMIT BASIC THEMES

Microcredit is Part of a Larger Movement

Microcredit is just one part of a larger effort to end poverty. To be successful, the overall movement to end poverty will require the implementation of a broad range of strategies.

The Goal of the Summit

The goal of the Microcredit Summit is 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 the year 2005.

Definition of the Poorest

The *Summit Declaration and Plan of Action* defines the "poorest" families in developing countries as those among the bottom 50% of those living below the poverty line. Within industrialized countries the Summit focuses on all of those living below the poverty line.

Institutional Sustainability

Within developing countries the *Summit Declaration and Plan of Action* is committed to building sustainable institutions. In industrialized countries the economic context is radically different; however, programs in industrialized countries are committed to exploring ways of becoming self-sustaining so that, to the greatest extent possible, their operating costs will be covered through direct revenue from program services.

Impact in the Lives of Clients and their Families

The Microcredit Summit is committed to programs having a measurable, positive impact in the lives of the very poor.

Current Reach

The document estimates that of the 100 million very poor families, eight million very poor clients are being reached currently. Of the remaining 92 million additional clients to reach the Summit's goal, it is estimated that 88 million will come from developing countries and four million from industrialized countries.

The Major Challenge

The *Summit Declaration and Plan of Action* warns that the Summit's commitment to reaching 100 million of the world's poorest families can be derailed by an indiscriminate flow of resources to programs that are not ready for the next level of growth. If growth occurs too quickly, or if the goal of expansion is put ahead of sustainability, programs may have more clients than they can serve effectively.

Estimated Resources Required

The *Summit Declaration and Plan of Action* estimates that US\$ 21.6 billion will be required over the next nine years. Approximately US\$ 11.6 billion would come from grants and concessional or low-interest loans and the remaining US\$ 10 billion is estimated to come from funds borrowed at commercial rates and from the savings of the borrowers and others in their communities.

Fulfillment of the Summit's Goal

The *Plan of Action* stresses that the basic building block of the Microcredit Summit Campaign is the institutional action plan. Most action plans are due February 1998. Some are due at the Summit.

FINCA USA, Inc.

FINCA USA, Inc. is a private non-profit organization established to promote the economic and human development of low and moderate income families in underserved communities. FINCA USA promotes economic opportunity by providing micro loans, technical assistance and a savings plan to low-income and other entrepreneurs in greater Washington, DC and Minnesota who do not have access to traditional sources of business financing. Loans range from \$100 to \$6,000. Loans start small and increase gradually over 5 loan cycles. To access FINCA services, entrepreneurs form peer support networks called self-employment associations. Members make all loan decisions and are jointly responsible for the repayment of each loan in their group.

In partnership with local community organizations like LEDC, in the past 2 years FINCA has started 13 self-employment associations in the greater Washington, DC and Baltimore area and 8 self-employment associations in rural Minnesota. The 106 members, 84% percent of whom are women, have started catering, home-based day care, painting and desk-top publishing businesses. FINCA USA's program is supported by the US Treasury Department's Community Development Financial Institutions (CDFI) Fund, the CS Mott Foundation, the Blandin Foundation, the Cafritz Foundation, the Bremer Foundation, the Northwest Minnesota Initiative Fund, the Virginia Enterprise Initiative (VEI), the International Franchise Association, the Goldseker Foundation, the Philips Foundation, the Potomac Rotary Club, the Morton K. and Jane Blaustein Foundation, the Summit Fund, Citibank, the Herman Development Corporation, Nationsbank, Chevy Chase Bank, other area banks and foundations.

FINCA USA is an affiliate in the world wide network of FINCA International. Founded in 1984, FINCA International provides loans and other business support services to over 65,000 entrepreneurs in 14 countries in Latin America, Africa and Newly independent States.

Distinguished Colleagues,
Ladies and Gentlemen,

Victoria Mira, a courageous and hardworking woman farmer in El Salvador, shows the potential of microcredit programmes. Widowed and left with six children, she was driven from her farm by civil strife. At the end of the hostilities, however, a \$600 loan from an IFAD-supported project helped her to resume farming activities. Investing in a cow and a few chickens, she diversified her income. Through training provided by the project she has educated herself in a variety of fields, and today not only can she provide a sustainable livelihood for herself and her family, but in turn, is helping others in her community.

Victoria Mira's example shows the power of microcredit, a power that IFAD has recognised in its operations over the last twenty years, in carrying out its mandate to overcome rural poverty and hunger.

The rural poor do not need handouts and gifts. They have their own talents and labour, a deep knowledge of their environment and considerable under-utilised potential. Whenever the poor are given the opportunity, they grasp the chance eagerly, to raise their incomes and reduce their vulnerability. Access to even small-scale deposit and credit services, together with other productive services, can work something close to miracles.

Our experience, in a variety of conditions across the developing world, underlines that the rural poor are really bankable. Poor borrowers, especially women, can make productive use of credit and achieve repayment rates of over 90 percent, rates often much higher than those attained in conventional lending in poor countries. Investing in the poor can bring profit to the lender, and hope to the beneficiaries.

We must nonetheless keep in mind not only the benefits, but also the limits of microfinance as a tool in promoting development. A loan constitutes a burden for the poor

borrower, and we must be sure that the conditions are suitable for its productive use so that it empowers, rather than impoverishes, the borrower.

While access to credit and savings facilities is crucial, it is not enough by itself to ensure sustainable development for the rural poor. The poor equally need access to better technologies, to health and education services, to fair markets and adequate infrastructure. Gender-sensitive concerns are important to ensure that assistance helps empower poor rural women. In all our projects, IFAD seeks to give due attention to building such an Enabling Micro Environment for the poor.

At the household level, the microfinance community must think about what kinds of loan and savings services would best serve individual borrowers and the village economy in which they live. Sometimes non-financial services like training programmes are as important as credit. Throughout our efforts, we must make sure our work addresses the real needs and priorities of the people we want to serve.

We also need to be realistic about the capacity of the microfinance providers themselves, and how fast we can create more capacity. Banking with the poor requires good management ability, especially in controlling the costs of operations and in assessing risk. Capacity building takes time, but it must be done if results are going to last.

And finally, we have to make sure the financial sector as a whole is set up to support our efforts. IFAD works closely with the World Bank and with regional financial institutions to promote reforms, as interest rate structure, monetary policy, and requirements for registration and reserves can make, or break, microfinance providers.

At IFAD we have worked hard to meet these challenges. To date, we have supported about 300 projects, which include rural credit arrangements, and we have funded

microfinance operations totalling more than \$1 billion. In all, these programmes have reached some 60 million people, that is over 10 million families. It is a small start towards the Summit goal of 100 million families, but it is still a significant start.

During these years, we have learned a great deal from this work, and recently we highlighted the main insights in a book published jointly by IFAD and the OECD. The book is called *Microfinance for the Poor?*, and it is available here for Summit participants. Our point is that successful microfinance requires a balanced and careful approach, and while a powerful tool, credit needs to be combined with complementary measures to make real inroads in poverty reduction.

We intend to continue to search for innovative approaches. IFAD is proud to have been the first international financial institution to assist the Grameen Bank in its early days. It was in the context of supporting this venture that IFAD began its long-lasting association with RESULTS. Subsequently, we have helped to carry the Grameen approach to a number of other countries, and we are strong advocates for the way that private initiatives of this nature can help generate dynamic growth in the rural economy.

IFAD is now a significant player in supporting a multitude of microfinance efforts. These include self-help groups that are linked to commercial banks, in Tamil Nadu in India and in our Bank Rakyat partnership in Indonesia. Other IFAD projects in Asia and Latin America link rural smallholders to banks directly.

A recent innovation involves a type of "Village Banks". These are local financial service associations owned by the prospective village-level borrowers. Operational prototypes have been started in Guinea, Benin and South Africa, with interesting initial results and we will see how to build on them. But the innovations and experimentation on microfinancing must go on. For, we believe that no single model of microfinance can work

well in every case. Indeed, each situation is unique and lending institutions must always be flexible and creative.

The Microcredit Summit's goal of reaching 100 million of the world's poorest families, especially women, by the year 2005 is of the greatest importance. To help achieve this goal, IFAD is committed to allocating up to 30 percent of its own loan portfolio, or about \$125 million a year, to promote financial services to the poorest.

We, at IFAD, have prepared our own institutional Action Plan for reaching Summit goals, and we are glad to share some elements with you. We will integrate the microfinance strategy into our overall programme planning and work with others, wherever possible, to further the Summit Action Plan. In this context, we will systematically support efforts by government agencies and private institutions to foster microfinance schemes, as well as help build a knowledge network on rural microfinance.

Victoria Mira, the beneficiary of the IFAD project in El Salvador, was awarded the Women's World Summit Foundation Prize in 1996, in recognition of her creativity and achievements. Today, what she achieved is still unusual, but I am glad to say, no longer unique. The challenge before this Microcredit Summit and all our institutions gathered here, is to bring about conditions in which millions, indeed hundreds of millions, of poor men and women all over the world, will be able to bring into their lives the same changes that Victoria Mira has brought. I am sure that the process we launch here will bring us to that noble goal.

Thank you.

Talking Points on Microenterprise Awards

for White House Press Office (Monday briefing):

- ***Details on the event.*** President Clinton, the First Lady, and Secretary Rubin will be presenting the inaugural Presidential Awards for Excellence in Microenterprise Development on Thursday, January 30, at 1:45 p.m. in the East Room.
- ***What are microenterprises?*** Microenterprises are small businesses with five or fewer employees. Microenterprise is also often referred to as self-employment.
- ***What is this awards program?*** These are Presidential Awards being presented to organizations that have demonstrated excellence in helping Americans to become self-employed. They provide small loans (less than \$25,000) and business assistance. Many of the individuals they help cannot get bank loans because their businesses are too new, or too small, to attract commercial banks. Seven awards will be presented. The Presidential Awards for Excellence in Microenterprise Development were created as part of the U.S. commitments at the Fourth World Conference on Women in Beijing, China.
- ***Why is this important to the President and the First Lady?*** The President has been concerned with how we can help Americans adapt to our changing economy. Self-employment is one option that makes sense for people who have lost their jobs due to plant closures or corporate downsizing, who will be making the transition from welfare to work, and who must supplement earnings from minimum wage jobs in order to support their families.

The First Lady is supportive of microenterprise programs because she has seen them work both in the U.S. and abroad. Both the President and Mrs. Clinton were instrumental in creating one of the first microenterprise programs in the country, the Good Faith Fund in Arkansas. Mrs. Clinton has also seen how microenterprise programs in developing nations can transform the lives of women and their families.

Fact Sheet on the Presidential Awards for Excellence in Microenterprise Development

The Presidential Awards for Excellence in Microenterprise Development were created as one of the commitments made by the United States at the United Nations Fourth World Conference on Women, held in Beijing China in September 1995. The awards reflect an on-going commitment by President Clinton to advance the role that microenterprise development plays in enhancing economic opportunities of all Americans, especially those who have traditionally lacked access to traditional sources of credit such as women, low income people, and minorities. President Clinton directed the Treasury Department to establish the Presidential Awards, which are administered by the Community Development Financial Institutions (CDFI) Fund. By recognizing outstanding microenterprise organizations, these non-monetary awards will bring wider public attention to the important role and successes of microenterprise development in the domestic economy.

What is Microenterprise?

A microenterprise is a business with five or fewer employees -- at least one of whom is the owner -- and that have a demand for small amounts of credit (less than \$25,000). Microenterprise is also often referred to as self-employment.

A microenterprise development organization promotes the development of microentrepreneurs by providing access to credit and business training and technical assistance.

Award Categories

The award categories are designed to embrace the diverse goals, purposes and activities of successful microenterprise organizations, and the challenges and opportunities they face.

- * *Excellence in Program Innovation:* The award category recognizes programs which have made a "leap of creativity" in the delivery of microenterprise services.
- * *Excellence in Program Delivery: Access to Credit:* The award category recognizes programs that have achieved outstanding success in broadening the availability of credit to microentrepreneurs.
- * *Excellence in Program Delivery: Poverty Alleviation:* The award category is recognizes programs that have developed unique and effective methods of lessening poverty through developing microentrepreneurs.
- * *Excellence in Public or Private Support for Microenterprise Development:* The award category recognizes a government agency, foundation, non-profit organization, financial institution or corporation that has provided strong and innovative support for microenterprise development.

Selection Process

Winners of Presidential Awards were selected through a two-stage review and review process. A key element of the review process was involvement of a team of 20 nationally recognized experts on microenterprise from the public, profit and non-profit sectors. With the evaluations, advice, and recommendations of these experts, the CDFI Fund selected the award winners utilizing a rigorous evaluation process and the following criteria:

- * *Poverty Alleviation:* Extent to which the program serves poor people, number of people served, scope of services provided, program design effectiveness, impact, financial and organizational health, and transferability.
- * *Access to Credit:* Effectiveness of program design in reaching its intended borrowers, number of people served, quality of loan program management, cost effectiveness, financial and organizational health, and transferability.
- * *Program Innovation:* Creativity, effectiveness of the innovation, relevance to the microenterprise field, financial and organizational health, and transferability.
- * *Public or Private Support:* Creativity, impact, number of people served, duration of support for microenterprise, extent of financial commitment, and transferability.

Why is Microenterprise Important?

- * Microenterprise is about providing access to opportunity to people who are often left out of the economic mainstream -- such as low income people, women and minorities.
- * Microenterprise re-enforces the key American values of opportunity, responsibility, and community.
- * Microenterprise development is about opportunity. It assists entrepreneurs in starting new, very small businesses and helping those businesses to grow and flourish. Many Americans have the talent and ideas to start small businesses, but cannot get bank loans or lack some business skills. Microenterprise provides those tools and is an entry point for many people into our economy.
- * Microenterprise is about responsibility. Microenterprise is not a hand out -- it is a hand up. Entrepreneurs must repay their loans and work hard to build their businesses and improve their economic well being. Microenterprise programs are new in the United States and represent a fresh opportunity to tap the American entrepreneurial spirit and help people help themselves.
- * Microenterprise is about building community. Microenterprise programs build community by creating jobs, building businesses, generating new economic activity, and bringing new entrepreneurs into established business networks and institutions. The microenterprise field consists of some 300 hundred mostly grassroots community organizations dedicated to building their communities and the people who live there.
- * The microenterprise industry in the United States is young, dynamic, and diverse -- as demonstrated by the Presidential Award winners. The award winners and the businesses they assist reflect the diversity of microenterprise field, its importance to our national economy, and the well being of our citizens. Seven organizations in four award categories will receive awards:

Excellence in Program Delivery: Poverty Alleviation: The award category is recognizes programs that have developed unique and effective methods of lessening poverty through developing microentrepreneurs. Award winner:

- *The Women's Self Employment Project* is recognized being a leader advocating for and assisting low income women in Chicago pursue self-employment to alleviate poverty and welfare dependency.

Excellence in Program Delivery: Access to Credit: The award category recognizes programs that have achieved outstanding success in broadening the availability of credit to microentrepreneurs. Award winners:

- *ACCION U.S. Network* operates in dense, urban markets of New York, Chicago, San Diego, and several Southwestern cities -- having served thousands of mostly Hispanic borrowers through specialized, streamlined loan products.
- *Cascadia Revolving Fund* operates in rural communities of the Pacific Northwest, serving a modest number of borrowers, but providing intensive services to start up and early stage businesses as part of a broad continuum of credit products. Cascadia has achieved notable success to helping entrepreneurs stay in business.

Excellence in Program Innovation: The award category recognizes programs which make a "leap of creativity" in the delivery of microenterprise services. Award winners:

- *North Carolina Microenterprise Loan Fund* has developed a highly effective model for state wide delivery of microenterprise services.
- *Working Capital* has created new tools for grass roots organizations to start microenterprise programs that serve entrepreneurs in New England and other states -- and has served more people than any other program in the United States.

Excellence in Public or Private Support for Microenterprise Development: The award category recognizes a government agency, foundation, non-profit organization, financial institution or corporation that has provided strong and innovative support for microenterprise development. Award Winners:

- *Nebraska Microenterprise Partnership Fund* provides a model of a public-private partnership serving as an intermediary that raises money from public and private sources to provide grants and loans to microlending organizations, encouraging grantees to strive for excellence through performance based funding, and building a state-wide support system for grassroots microenterprise development organizations.
- *Self Employment Learning Project*, as the preeminent research and evaluation entity of the microenterprise field, has played an instrumental role in laying the foundation for the growth of the microenterprise field, illustrating its potential to provide access to economic opportunity, guiding the field toward higher levels of performance.