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Moving 100 Million Families Out of Severe Poverty: How Can We Do It?

With a new Postlude on a Retreat, a Summit, and Ending Extreme Poverty by 2030

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Moving 100 Million Families Out of Severe Poverty: How Can We Do It?

A. Introduction[1]

> *"Too much sanity may be madness and the maddest of all, to see life as it is and not as it should be.*
> -Miguel de Cervantes, Spanish playwright and author of Don Quixote

Again and again in the short 40-year history of the microfinance movement, microfinance institutions have created a vision of the world as it should be and then made that vision become a reality. The ideas that the poor could be provided access to credit, that they could operate tiny businesses in spite of illness and illiteracy, that they could move themselves and their families out of severe poverty, and that millions of poor people could do this – such ideas were laughed at, treated as impractical, and sometimes called insane. Banks said it was impossible: the poor were not bankable. Academic institutions and professors said that microfinance did not work and frequently burdened poor people with more debt. Government agencies said it was better to support bigger businesses that could grow and hire others instead of trying to serve the poor. Only a handful of visionaries in Latin America and Asia and a few funders in the United States and Europe believed that microfinance could work and should be supported.

Now, after 40 years of growth, struggle, experimentation, the agony of defeat and the joy of success, the microfinance movement has come of age. In spite of setbacks and criticisms, microfinance institutions are generally well-respected members of local communities where the poor live in almost every country in the world.

[1] This paper was originally designed to guide and reflect comments by this author and presentations by three panelists at a session of the same name at the Global Microcredit Summit in Valladolid, Spain, 14-17 November 2011. The panelists were Maricruz Lacalle-Calderón (Section B), Alex Counts (Section C), and John Hatch (Section D). This final version of the paper has been modified somewhat to include two calls for eliminating severe poverty altogether that were presented at the Summit and to make clearer this author's call for the microcredit movement to play a leadership role in ending severe poverty. Note: Now, two years later, the paper has been revised and updated slightly, and a new Postlude has been added about the growing movement to end extreme poverty by 2030.

This paper is a call for microfinance leaders to build on the credibility they have established to step up and provide leadership in drawing together the many institutions and resources that will be necessary to not only bring 100 million families out of severe poverty, but also to go "the extra mile" to bring **all** families out of severe poverty.[2]

Microfinance institutions first developed because of the failure of the traditional banks and foreign aid organizations to serve the poor. In the early 1970s, visionaries in Bangladesh and Brazil and Bolivia saw that the lack of access to credit was one of the barriers that made it almost impossible for the poor to break out of the cycle of poverty. So microfinance institutions were created as a way to offer credit in the form of tiny loans to poor people to allow them to start or expand tiny self-employment businesses that would allow them to work their way out of poverty.

The microfinance field grew slowly during the 1970s, picking up momentum in the 1980s with the advent of large programs in Bangladesh and Latin America.[3] By 1997, when the first Microcredit Summit was held in Washington, D.C., the field had several hundred microfinance practitioners and about 7.6 million borrowers.

The first Microcredit Summit launched the microfinance movement, which is one of the most successful social movements in history. The field now serves over 137 million very poor borrowers, mostly women, with microloans and other financial and social services. Studies have shown that millions of families have been lifted out of severe poverty partly as a result of the impact of microfinance in their lives and communities.

The microfinance movement is now reaching saturation in many countries, particularly in Asia. In India and Bangladesh, it is not uncommon to have four or five microlenders operating in a

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[2] Severe poverty, also called absolute poverty, was originally technically defined by the World Bank as those persons living below $1 per day (adjusted for Purchasing Power Parity-PPP). So for a family of 5, that would be $5 per day. Around 2005, the World Bank changed the figure to $1.25 per day. This is a very gross indicator that fails to take into account the fact that many poor people barter and do not use cash in their daily transactions. Also, someone may have an income of $2 per day but have a husband with TB and be severely poor as a result. My informal definition is that severe poverty is that level where people can't keep their children alive and when it rains, they get a shower inside their house.

[3] The Grameen Bank in Bangladesh was incorporated in 1983, after several years of experimental operations. Also in 1983, John Hatch secured funding from USAID for a FINCA test program in Bolivia. During this same period, ACCION was operating several very small microcredit programs in Latin American countries.

single village or urban slum. As a result, many borrowers have taken out loans from multiple lenders and have become over-indebted. There is no system in place yet for a microlender to be informed about other loans owed by an applicant. Furthermore, the lure of a "fortune at the bottom of the pyramid" has brought many profit-maximizing lenders into the field with interest rates as high as 120%, little evaluation of a borrower's ability to pay, no support for repayment, no requirement that loans be used for income generation, and overreaching collection practices. Such excesses have created a storm of criticism and a backlash from some governments.

The microfinance movement is at a crucial crossroads in its history. The microfinance sector could fall into fighting between the non-profits and the for-profits leading to a substantial reduction in its influence and a reduction in efforts to end severe poverty. Alternatively, microfinance institutions could work together cooperatively in a "big tent" approach. In this paper, the microfinance industry is urged to choose the "big tent" approach. It is also recommended that microfinance institutions step into leading roles in the growing movement to end severe poverty.

This paper is organized as follows: Section B will briefly chronicle the growth of the microfinance movement and show some of its successes in bringing the poor out of severe poverty. Section C will discuss several challenges that have developed and several categories of criticism currently being leveled at the microfinance field. Section D will provide a "Grand Vision" for moving ahead towards ending severe poverty and will propose actions to implement the vision. The section will end with a call to action for a ten-year campaign to move 100 million families sustainably out of poverty.

Finally, Section E will conclude with a summary of ideas presented in the paper and a repeat call to action for the microfinance sector to take the lead in the campaign to end poverty.

B. Microfinance at the Crossroads: Success From the Bottom Up

> *"Poverty is the worst malignancy on earth. Many of the 'causes célèbres' in the world today - AIDS and other infectious diseases, terrorism, environmental degradation, illiteracy, malnutrition, human rights abuses, human trafficking, narcotics trafficking, illegal immigration, ideological intolerance, tyranny, genocide, debt slavery – have their roots in this seminal evil, the brutal daily indignities of mind-numbing poverty."* -Kirk Magelby[4]

1. Background

Hunger and poverty have been scourges afflicting the human race for millennia, bringing misery, disease, and despair to millions of people. Humankind, in a burst of visionary action after World War II, actually created institutions and processes initially aimed at doing something about hunger and poverty. The charters of the World Bank and the International Monetary Fund call for them to work to alleviate poverty. Most of the "developed" countries established foreign aid programs aimed in part at reducing poverty.[5]

Unfortunately, with the advent of the Cold War in the late 1940s, the purpose of most foreign aid was often redirected towards forming alliances with right-wing anti-communist governments in the Third World, many of which were headed by dictatorial regimes.[6]

As the Cold War deepened, most aid-giving and concessionary lending agencies like the World Bank and the International Monetary Fund became increasingly "top down" and unresponsive to local people's needs. As a result, the impact of foreign aid on poverty was minimal for over 40 years. In fact, there is evidence that, with the advent of Structural Adjustment Programs[7] in the 1980s and 1990s, the condition of many countries became worse. It is safe to say that large

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[4] Kirk Magelby, *MicroFranchises as a Solution to Global Poverty* (Salt Lake City, UT: Microfranchises.org, 2006), pp.8-9.

[5] However, the main initial purpose of foreign aid was to help U.S. companies to successfully do business abroad.

[6] With the exception of some highly successful health initiatives like the child survival fund and the President's Emergency Plan for AIDS Relief (PEPFAR), foreign aid programs made little impact on poverty for 40 years.

[7] IMF and World Bank policies that attached conditionalities to loans requiring a reduction of social spending, a focus on production for export, privatization of state enterprises, etc. For a fairly balanced review of structural adjustment policies, see: Wikipedia, *Structural Adjustment* (http://en.wikipedia.org/wiki/Structural_adjustment). For a more critical view, see: Susan George, *A Fate Worse Than Debt,* (New York: Grove Weidenfeld, 1990), pp. 143, 187, 235.

portions of the trillions of dollars spent on foreign aid have been wasted or, worse, they have seriously undermined the independence and initiative of many poor countries. Like any type of welfare, foreign aid has frequently created dependency and depressed initiative.[8]

Additionally, most traditional banking institutions have not been very helpful to the poor. Even though poverty may be the "worst malignancy on earth", it was inadequately addressed and often made worse by the U.S. and European-style commercial banking system that spread throughout the world in the Twentieth Century, especially during the Cold War. Although many U.S. banks originally started as small-scale agricultural banks in rural areas and neighborhood banks catering to immigrants and working class people in the cities, and many banks in the U.S. continue to serve those clients, the banking system that spread in most developing countries tended to serve only the elites. Not only was there no interest in serving the poor -- the poor were considered unbankable.[9]

2. Cold War to Millennium Development Goals

After the Berlin Wall fell in 1989 and the Soviet Union collapsed in 1990 and 1991, the Cold War was effectively over. Beginning in the late 1980s and throughout the 1990s and into the new millennium, many efforts were made to redirect the world's attention to the poor and to approaches that might lead to reductions in poverty and even to ending poverty. U.N. Summits were held on education, children, women, housing, population, and many others. In 2000, the UN's crowning achievement was the Millennium Summit which saw the adoption of the Millennium Development Goals.[10]

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[8] Happily, a significant exception to this gloomy picture is provided by health programs. The worldwide child immunization programs of the 1980s and 1990s, which continue to this day, have succeeded in immunizing over 80% of the world's children and have contributed to a dramatic decline in the Child Mortality rates of most poor countries. Likewise, campaigns against infectious diseases such as smallpox and polio have been very successful. Finally, the President's Emergency Plan for AIDS Relief (PEPFAR) and the Global Fund to Fight AIDS, TB, and Malaria have contributed to significant declines in the death rates from these three diseases.

[9] Muhammad Yunus, founder of the Grameen Bank in Bangladesh, is fond of saying that his strategy was to observe what banks did and then to do the opposite. If banks lent to men, he lent to women. If banks gave large loans, his loans were tiny. If banks were bureaucratic and complicated, his loans were friendly to illiterates. And so on. Quoted by Sam Daley-Harris in his remarks at the final plenary celebration, Global Microcredit Summit, Valladolid, Spain, 17 November 2011. See video at http://mediateca.fundacion.telefonica.com/visor.asp?e7608-a15342

[10] There are 8 goals. See http://www.beta.undp.org/undp/en/home/mdgoverview.html.

> *The Millennium Development Goals can be met by 2015—but only if all involved break with business as usual and dramatically accelerate and scale up action now.* -UN Secretary General Kofi Annan[11]

When Kofi Annan made this statement in 2005, it was unclear how much progress the world would make in reaching the Millennium Development Goals. Now, 11 years after they were adopted unanimously by the UN General Assembly, the prognosis, while guarded, is generally positive that world governments and civil society, working together, are making significant progress towards reaching the Goals. For example, moving towards fulfillment of Goal #4 (to reduce child mortality by 2/3 by 2015), the under-five mortality rate has gone down from 12.4 million in 1990 (about 34,000 per day) to 8.1 million in 2009 (about 22,000 per day -- about a 35% reduction). This progress was made in spite of 9-11 and the "War on Terror", in spite of the Asian Tsunami and the Haitian earthquake, in spite of the Iraq War, the Afghan War and the conflicts known as the "Arab Spring", and in spite of the world recession of 2008-2009.

3. Progress Towards Millennium Development Goal #1

In a 2007 TED talk, the famous and creative statistician, Hans Rossling, enthusiastically demonstrated how every country in the world has improved its basic poverty, health and education situation in the last 100 years.[12]

In line with such optimism, progress towards reaching Millennium Development Goal #1, to cut the proportion of severe (or absolute) poverty in half by 2015, has also been substantial and it appears that the world is on track to reach the goal.[13] This is good news!

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[11] Kofi Annan, Executive Summary, *In Larger Freedom: Towards Security, Development, and Human Rights For All* (New York: United Nations, 21 March 2005), p. 1.

[12] Hans Rosling, *Hans Rosling's New Insights on Poverty* (TED Talk, March 2007, posted June 2007). http://www.ted.com/talks/hans_rosling_reveals_new_insights_on_poverty.html, first 8 minutes. Also, for a fuller view of Professor Rosling's fascinating approach through graphical statistics (his "bubble statistics"), see his website at www.gapminder.org.

[13] The actual language of the basic goal is: "To reduce by half the proportion of people living on less than one dollar per day." Later, it was changed to $1.25 per day. Both figures are adjusted for Purchasing Power Parity (PPP). See United Nations, *Millennium Development Goals Report 2011* (New York: United Nations, 2011), pp 6-8. Note: see the Postlude for an update on Millennium Development Goal #1. The goal was reached in 2010.

However, the overall success of cutting the proportion of people living in poverty does not mean that the total number of people living in poverty is going down in all countries. The overall reduction is the result largely of huge decreases in poverty in Eastern Asia (mostly China) and South-Eastern Asia (India, Vietnam, Thailand, Malaysia, Singapore, etc.)

Even though there have been significant decreases in the proportion of people living in severe poverty around the world, there are still major problems. The gross number of people living in poverty in Southern African and Sub-Saharan Africa has actually increased in recent decades due to population growth. In the Millennium Development Goals 2011 Report, right after touting the projection that the world will achieve MDG #1 by 2015, it is stated that there will still be roughly 900 million people living in severe poverty around the world, half of them in India![14] Also, while *absolute poverty or severe poverty is* reducing, the relative gap between the rich nations of the global north and the poor nations of the global south has been widening in recent years, as has the gap between the rich and everybody else within all nations, poor and rich alike.

4. The Rise of Microfinance

> *"The world is in a gloomy mood. In this ocean of gloom, we [microfinance institutions] present to the world islands of hope."* -Muhammad Yunus[15]

In the early 1970s, poverty was widespread in over 100 developing countries. At that time, new "islands of hope" arrived when microcredit programs entered the world stage and began providing tiny loans to the poor so that they could start or expand businesses and work their way out of severe poverty. In the 1980s, now familiar names in microfinance began to expand – Grameen Bank in Bangladesh, FINCA in Latin America, ACCION in Latin America, Opportunity International, Women's World Banking, Freedom From Hunger, and many more. They picked up steam in the 1980s. By 1997, when the first Microcredit Summit was convened in Washington, D.C., there were about 7.6 million borrowers. In 2007, the Summit goal to reach

[14] UN, *Millennium Development Goals Report 2011*, p. 7.
[15] Muhammad Yunus, remarks at the final plenary celebration, Global Microcredit Summit, Valladolid, Spain, 17 November 2011. See video at http://mediateca.fundacion.telefonica.com/visor.asp?e7608-a15342.

100 million of the world's poorest families was achieved and officially announced and celebrated in 2009.[16]

5. "Top Down" Versus "Bottom Up" Approaches to Development

Microfinance Institutions (MFIs) were founded largely out of a desire to provide financial assets to the poor when the traditional banking system was not interested and foreign aid programs were not effectively reaching the poor. Maricruz Lacalle-Calderón , at the Universidad Autonoma Madrid, points out that many recent studies show that Official Development Aid (ODA, or more colloquially, foreign aid) has not been very effective, even after the Cold War ended,[17] because its "top-down" approach, directed from abroad, fails to connect with the needs of grassroots communities. Lacalle-Calderón suggests that a small portion of foreign aid funding be redirected towards microfinance institutions, which offer a "bottom up" approach grounded in the needs and aspirations of people at the grassroots level in villages and slums around the world.[18]

In a recent interview and in an unpublished paper, Lacalle-Calderón makes a strong case for the superiority of the microcredit grassroots approach over the approach of most foreign aid. She points out that not only is most foreign aid "top down" (lacking in input from the populations affected), but this type of aid also brings other problems: for example, aid distorts market rules, it frequently lacks accountability, and it creates perverse incentives since it doesn't reward good economic results and doesn't punish bad results. Also, aid is not sustainable (it goes away when the donor decides not to give any more), it lacks any system of ownership, and it is fragmented among hundreds of different donors and agencies.

Conversely, microfinance follows market rules, it is built on accountability, it creates good incentives for development, and it is intentionally designed for sustainability.[19]

[16] The achievement of the goal was announced in Sam Daley-Harris, *State of the Microcredit Summit Campaign Report 2009* (Washington, D.C.: Microcredit Summit Campaign, 2009), p. 1.
[17] As stated earlier, major health campaigns for children and victims of infectious diseases are exceptions.
[18] Maricruz Lacalle-Calderón, taped interview by the author, 22 September 2011. Also, unpublished paper by Lacalle-Calderón on foreign aid and microfinance, 2011.
[19] Maricruz Lacalle-Calderón, taped interview by the author, 22 September 2011. Also, unpublished paper by

6. Microfinance Becomes a Movement

> *"We believe that poverty does not belong in a civilized human society. It belongs in museums. This [Microcredit] Summit is about creating a process which will send poverty to the museum. Only sixty-five years after the twelve-second flight of the Wright brothers, man went to the moon. Sixty-five years after this Summit, we will also go to our moon. We will create a poverty-free world."*
> -Muhammad Yunus, plenary speech at the first Microcredit Summit (1997)[20]

The microfinance movement has been one of the most successful social movements in history. In less than 40 years from its early beginnings in Latin America in the early 1970s[21], over 200 million impoverished people (mostly women) have received microloans and millions of tiny self-employment businesses have been financed and helped to survive.[22]

The microfinance movement was built by a coalition of microfinance institutions, civil society groups, government agencies, development agencies, funders, and others. Three organizations took the lead, beginning in the mid-1980s: The Grameen Bank of Bangladesh (and its founder, Muhammad Yunus), the Foundation for International Community Assistance (FINCA) of Latin America (and its founder John Hatch), and RESULTS, a grassroots citizens' advocacy organization (and its founder Sam Daley-Harris).[23] Together, these three organizations held a citizen-organized Microcredit Summit in 1997 to kick off the movement. The Summit was attended by over 2,900 delegates from all over the world. The first act of the Summit was to adopt the proposed goal that had been hammered out during the previous two years:

> *"We have assembled to launch a global movement 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."*
> -Goal Adopted at the first Microcredit Summit[24]

Lacalle-Calderón on foreign aid and microfinance, 2011.

[20] Muhammad Yunus, with Alan Jolis, *Banker to the Poor: Microlending and the Battle Against World Poverty* (New York: Public Affairs, Member of Perseus Books Group, 1999), p. 245.

[21] ACCION is usually credited with setting up the first microlending programs using a solidarity group model in Brazil and elsewhere in Latin America. Most programs were still tiny until the 1980s when FINCA in Bolivia and Grameen in Bangladesh began expanding.

[22] According to the latest official statistics, the total number of clients currently receiving microloans from 3,652 reporting microfinance institutions is just over 205 million.

[23] For a detailed history of how these three organizations built the microfinance movement, see Bob Sample, *How RESULTS Activists Collaborated with Microfinance Leaders and High Government Officials to Build the Microfinance Movement* (Washington, D.C., RESULTS Education Fund, 2006), pp. 1-89.

[24] [Sam Daley-Harris], *The Microcredit Summit Declaration and Plan of Action* (Washington, D.C.: RESULTS

Astonishingly, this goal was reached in 2007, just 10 years after the Summit! In the Microcredit Summit Campaign Report 2009, it was officially announced that the total number of borrowers had reached 155 million, of whom 106.6 million were among the poorest .[25] Three years later, by the end of 2010, the total number of borrowers has grown spectacularly to over 205 million, of whom 137.5 million are among the poorest living on less than $1.25 per day.[26]

Several studies have shown substantial movement out of poverty in Bangladesh, India, and elsewhere. In 1998 and again in 2005, World Bank studies by chief economist Shahidir Khandker estimated that "microfinance accounted for 40 percent of the *entire* reduction of moderate poverty [less than $2 per day incomes] in rural Bangladesh".[27] In 2003, Elizabeth Littlefield and two eminent co-authors, wrote a paper about the effectiveness of microfinance in reaching the Millennium Development Goals. She cites over 25 studies that show the many ways that borrowers benefit from microfinance, including raising their income levels. She concludes:

> *"No single intervention can defeat poverty. Poor people need employment, schooling, and health care. Some of the poorest require immediate income transfers or relief to survive. Access to financial services forms a fundamental basis on which many of the other essential interventions depend . . . Financial services thus reduce poverty and its effects in multiple concrete ways. And the beauty of microfinance is that, as programs approach financial sustainability, they can reach far beyond the limits of scarce donor resources."*
>
> -Elizabeth Littlefield, et. al.[28]

Two recent studies, using data from 1990 to 2008 in Bangladesh and from 1990 to 2010 in India showed that 9 million microfinance families had moved above the $1.25 poverty line in India during the selected period, and 2 million microfinance families in Bangladesh had done so.[29]

Education Fund, 1997), p. X.

[25] Sam Daley-Harris, *State of the Microcredit Summit Campaign Report 2009, p. 3.*

[26] The Microcredit Summit Campaign also includes those living in the bottom half of their nations' poverty line. See Jan P. Maes and Larry R. Reed, *State of the Microcredit Summit Campaign Report 2012* (Washington, D.C.: Microcredit Summit Campaign, 2012), p. 3.

[27] Shahidir Khandker, *Fighting Poverty with Microcredit* (Dhaka, Bangladesh, University Press Limited, 1998). Also Shahidir Khandker, *Microfinance and Poverty: Evidence Using Panel Data from Bangladesh* (Washington, D.C.: World Bank Economic Review, 2005). Reviewed and reported in Nathaniel Goldberg, *Measuring the Impact of Microfinance: Taking Stock of What We Know* (Washington, D.C.: Grameen Foundation USA, 2005), pp. 19-20.

[28] Elizabeth Littlefield, Jonathan Morduch, and Syed Hashemi, *Is Microfinance an Effective Strategy to Reach the Millennium Development Goals?* (Washington, D.C.: CGAP Focus Note No. 24, January 2003), p. 9.

[29]The reports are: Sajjad Zohir, *Number of Microcredit Clients Crossing the U.S. $1.25 a Day Threshold During 1990-2008: Estimates From a Nationwide Survey in* Bangladesh (Dhaka, Bangladesh: Economic Research Group,

7. New Microfinance Goals Timely But Insufficient

In 2006, in anticipation of achieving the first goal of reaching 100 million families with microloans in 2007, new goals were set by the microfinance industry, through the Microcredit Summit Campaign. This was meant to be a contribution from the microfinance movement to the achievement of Millennium Development Goal #1. In early 2009, the Microcredit Summit announced the stunning achievement of reaching the goal of extending microloans to 100 million of the world's poorest people.[30] Also announced were the two new goals that were set and adopted at the 2006 Global Microcredit Summit in Halifax, Nova Scotia. They read as follows:

- *Working to ensure that 175 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 2015.*
- *Working to ensure that, from a starting point of 1990, 100 million of the world's poorest families move from below US $1 a day adjusted for purchasing power parity (PPP) to above $1 a day adjusted for PPP.*[31]

In 2008, the World Bank changed the measure for absolute poverty to $1.25 per day and the Microcredit Summit Campaign followed suit. So the goals are now to extend microfinance to an additional 75 million families and to move 100 million families (roughly 500 million people) above the severe poverty line ($1.25 per day).

Sam Daley-Harris, co-founder and director of the Microcredit Summit Campaign, pointed out in a recent interview that the new poverty ending goal, while timely and needed, is inadequate as currently stated. The problem with the goal to move 100 million families out of severe poverty is that it doesn't really have a baseline.[32] Reliable statistics about the poverty levels of microfinance borrowers were scarce in 1990, 7 years before the first Microcredit Summit and 16 years before the Microcredit Summit in Halifax. And there were almost no measurements of the

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August 2010). Also, [India Development Foundation researchers], *Counting the (net) numbers of people who crossed (from below) theUSD 1.25 a day consumption threshold in India between 1990 and 2010* (India Development Foundation, February 2011).

[30] Sam Daley-Harris, *State of the Microcredit Summit Campaign Report 2009* (Washington, D.C.: Microcredit Summit Campaign, 2009), p. 1 & p. 23.

[31] Sam Daley-Harris, *State of the Microcredit Summit Campaign Report 2009*, p.19. In a footnote to that page, it is stated: "This will also include families starting in the bottom half of those living below their nations' poverty line and moving above that marker."

[32] Sam Daley-Harris, taped interview by the author, 24 October 2011.

movement of borrowers above the $1 a day poverty line. So it will be important to establish a baseline for measurement very soon.

8. Microfinance at the Crossroads

As discussed in the next section, many problems have developed as microfinance has matured and reached saturation levels in some markets, especially in Asia. The resulting visibility has brought attention and criticisms which have, in turn, brought a backlash from several governments around the world.

Clearly, the microfinance movement is now at a crossroads is in its history. But what is the nature of this crossroads? It seems too confining to say that some institutions want to focus on growth and profits while others want to focus on poverty alleviation. A more productive view of the crossroads is that microfinance institutions must choose what role they will play in the world in the next few years. One fork in the crossroads leads to fighting and unhealthy competition between the for-profit and non-profit sectors and a subsequent failure of microfinance to become a major force on the world stage, especially in efforts to end severe poverty. The other fork encompasses a "big tent" approach where both for-profit and non-profit microfinance institutions alike work together for the common good.

In this paper, we urge that the microfinance movement choose the "big tent" cooperative approach and that microfinance institutions utilize their newfound visibility to step into leadership roles in their communities and in the world, especially in the movement to end severe poverty.

C. Challenges and Criticisms

> *"Microfinance is caught in a swirl of negative news and fears coming from India ---disappointing impact research results, reports of abuse of borrowers, profiteering and over-indebtedness, and a fabulously lucrative IPO (initial public offering of stock), culminating in recklessly punitive regulation by the State of Andhra Pradesh."* Chris Dunford, Freedom from Hunger[33]

1. The Andhra Pradesh Calamity

In late 2010, after the Andhra Pradesh story broke in the press, there was a large flurry of negative press about microfinance in the major newspapers and magazines throughout the world. Some of the vitriol has abated at the present time, but there is no doubt that challenges still exist in the field that must be dealt with in a timely fashion so that the microfinance industry can move on with the task of building healthy institutions and ending severe poverty in the years ahead.

The story of Andhra Pradesh is instructive, because it is fairly typical of problems occurring in many parts of the world. Briefly, here is what happened: Andhra Pradesh is a state in southern India with 76 million inhabitants (about 15 million households). Most of the largest microfinance institutions (MFIs) in India have their headquarters in the state and a substantial percentage of the total microloans given in India are in that state. In just over 10 years, the microfinance industry in Andhra Pradesh acquired over 6 million borrowers. MFIs were not able to hold savings, which would have put them in closer contact with their borrowers and brought some regulatory oversight, along with less expensive capital. Instead, with the encouragement of the government, big banks and venture capitalists in India filled the void by offering major loans and investments to MFIs on favorable terms. Over time, there developed a major competition for funds. The banks and venture capitalists, demanded market returns on their loans and investments, so some MFIs set about growing exponentially and giving loans indiscriminantly in an effort to gain market share and to race to "go public". Soon, a few MFIs lost all but a narrow financial contact with their borrowers. At the same time, some borrowers thought they had a

[33] Christopher Dunford, *A Failure to Communicate: Microfinance Confused -- An Insider Sets the Record Straight* (Washington, D.C.: Interaction - Monday Developments Magazine, Volume 29, Issue 5, May 2011), p. 19.

good deal (or several good deals). They could borrow from one MFI and then borrow from another MFI to pay back the first one. And then they could get yet another loan from a third MFI, and so on. In the *State of the Campaign Report 2011*, Larry Reed cites the sad tale of Zaheera, who committed suicide leaving behind $3,600 in loans to 8 MFIs. She had obtained the loans even though she had no regular source of income, only occasional odd jobs. She had used most of the money she borrowed for her daughter's wedding (in other words, these were consumption loans, not income generating business loans).[34] In glaring stories in the New York Times and elsewhere, it was implied that Zaheera and 53 other women in Andhra Pradesh committed suicide because of unsavory and threatening collection practices of microlenders. However, in a recent study by the Legatum Venture Fund (a funder of microfinance in India), it is pointed out that there were 14,500 suicides in Andhra Pradesh in 2009 as a result of agricultural failure or political developments. The study found that the percentage of suicides among microfinance borrowers in Andhra Pradesh was far below the average for the state, probably because borrowers got moral support from their solidarity groups.[35]

In response to the stories in the press, the local state government, without consultation with any of the stakeholders, passed an ordinance in October 2010 called "The Andhra Pradesh Microfinance Institutions (Regulation of Money Lending) Act of 2010". It basically scape-goated private sector MFIs for problems that a state-run microfinance institution was experiencing. It has now become clear that a major reason for the legislation was actually to protect that state-run organization from competition from the private sector MFIs. In addition, stories in the press about suicides in Andhra Pradesh were blamed on the microfinance industry and were used to further justify the harsh measures in the law. The Act required that all loans be paid monthly, rather than weekly, at government offices in the cities, far away from most of the rural borrowers. It also required that new loans be pre-approved at government offices. As a result of the Act, the entire microfinance sector in Andhra Pradesh was shut down and continues to be shut down. The effects of this draconian over-reaction continue to be felt in Andhra Pradesh and

[34] Larry R.Reed, *State of the Microcredit Summit Campaign Report 2011* (Washington, D.C.: Microcredit Summit Campaign, 2011), p. 2.
[35] [Legatum Ventures Research Staff], *Microfinance in India: A Crisis at the Bottom of the Pyramid* (Dubai, U.A.E.: Legtum Ventures, May 2011), p. 4.

throughout the microfinance sector in all of India.[36]

In the case of Andhra Pradesh, as mentioned above, the state government was also operating a government microfinance company, with offices in the larger towns, which was losing clients constantly to the more aggressive, efficient, and user friendly MFIs that provided the loans to people in their small villages or even in their homes in remote areas. However, it is doubtful that the state government could have gotten away with this draconian legislation if many of the microfinance institutions in the state had not become so greedy and blindly competitive that they had lost much of their positive relationship with their clients and with the public.

The Andhra Pradesh story illustrates a number of challenges which will be discussed below.

2. Challenges to Microfinance

- **Microfinance is no longer "flying under the radar"**

For years, microfinance "flew under the radar" and was able to avoid the scrutiny and the interference of the big banks, money elites, regulatory agencies, and even the media. Now that the microfinance sector is huge in places like India and Bangladesh, and other countries in Africa and Latin America, some banks and government regulatory agencies have become much more actively interested in what goes on in the microfinance world. Local governments, especially those led by left-leaning parties (that are suspicious of capitalism), have also taken a strong interest. Andhra Pradesh in India is a prime example of this phenomenon. But it is not the only one. All over the world, governments are flexing their muscles. Unfriendly regulation can slow MFI growth, impair operations, and in cases like Andhra Pradesh, even destroy the microfinance field. This calls for the microfinance industry to be proactive in working with governments and those who have influence in governments, like big banks, universities, services clubs, and others.

- **In mature markets, microfinance is saturated, leading to over-indebtedness**

In a mature market with many competing MFIs, as in Andhra Pradesh, saturation has occurred. In many villages in India and Bangladesh, it is not uncommon to have 6 or 8 microfinance

[36] [Legatum Ventures Research Staff], *Microfinance in India,* p. 3.

institutions competing for the same clients. With little or no oversight, and no credit check system, microfinance institutions often do not know when a borrower already has a loan with another company. (And if they suspect that she does, they may make only limited efforts to find out the truth since they are responding to pressures to disburse as many loans as possible.) As a result, in these saturated markets, borrowers frequently have multiple loans and over-indebtedness is increasingly common.

- **Many microfinance institutions are not fully transparent and accountable**

Many MFIs do not fully disclose their interest rates and fees in a way that is understandable to clients and the public. Apparently, many MFIs in Andhra Pradesh and throughout India were not entirely transparent in disclosing their interest rates. Also, many MFIs do not accurately disclose their true default rates and late payment rates. This problem is exacerbated by the fact that many microfinance institutions have inadequate accounting capabilities and, frankly, poor accounting practices. It is no secret that some microfinance institutions have had problems with embezzlement due to lax financial controls.

- **There is little or no effective regulation**

The mature market syndrome described above needs effective regulation or effective self-policing by the industry. In Andhra Pradesh, until the recent legislation, there was basically no regulation or oversight at all. In fact, in most markets, there is little or no regulation covering an MFI that does not hold borrower savings. The only way for an MFI to become regulated (and to hold savings, in most cases) is to seek regulation under the banking laws, which are not intended for non-profit institutions that provide tiny loans and other social services to impoverished clients. What frequently happens when an MFI seeks coverage under this kind of regulation is that it eliminates, or reduces, its poverty alleviation mission and it starts giving larger loans to higher income clients. What is needed is self-policing or MFI-friendly government regulation.

- **Many microfinance institutions no longer focus on serving the poor**

The field is increasingly torn between those MFIs that focus on poverty alleviation and those that focus on providing financial services without a focus on the poor. In Andhra Pradesh, it appears that many MFIs were focusing on providing financial services alone. Alex Counts, President of

Grameen Foundation, feels that MFIs with these divergent points of view can still work together. In some cases, an MFI can pursue both approaches – poverty alleviation and strong financial services. But this is rare. But problems arise when MFIs from the two camps start judging each other and blaming each other for mistakes. This kind of conflict can slow the progress of the entire microfinance field. In October 2010, Alex Counts had a debate with Vikram Akula, founder and President of SKS in India. The debate explored the issues arising from SKS' focus on profit maximization as opposed to poverty alleviation. SKS had just issued a wildly successful Initial Public Offering that had raised over $200 million. The debate was fascinating, with interesting points being made on both sides. The debate may be viewed online.[37]

- **Lack of regulation has allowed unscrupulous actors to enter the field**

While many for-profit microlenders are ethical, the vacuum resulting from no regulation has attracted some unscrupulous and unethical profit seekers to enter the microfinance field. Such institutions tend to be fly-by-night operators who come in, take savings, give out a few loans at high interest rates, and then disappear. Such lenders charge exorbitant rates (sometimes over 100%), they do not sufficiently evaluate the ability of borrowers to repay, they allow loans to be used primarily for consumption rather than income generation, and they provide no support for repayment or business success.

- **Most microfinance institutions do not measure the poverty levels of their clients**

Most MFIs do not measure the poverty levels of borrowers upon entry nor do they measure the progress out of poverty of borrowers over time. The reason is that measurement is time consuming, it takes time away from serving borrowers, and it is difficult to administer. Nevertheless, if the microfinance industry is going to have a meaningful campaign to end poverty, everybody must take a deep breath and do it. Alex Counts argues that, in spite of the difficulties of measurement, there are also benefits such as gaining information which allows better market segmentation and product segmentation so MFIs can more appropriately and more profitably serve their clients.[38] Also, measurement allows MFIs to better track value creation for clients, which is useful for any business. Finally, a very valuable benefit of poverty measurement

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[37] http://asiasociety.org/video/business/microlending-and-profit-motive-complete. The transcript may also be downloaded from: http://asiasociety.org/files/pdf/101025_transcript.pdf.

[38] Alex Counts, editing comment to this paper, 11 November 2011.

is that it will bring much greater credibility with funders, clients, governments, partners in the human service arena, and the press.

- **Microfinance institutions do not usually move people sustainably out of poverty**

It is now known, from practical experience and increasing numbers of studies, that microfinance institutions do not usually move families *sustainably* out of poverty, because the businesses operated by the vast majority of microfinance borrowers are, according to Kirk Magleby, "tiny, low productivity, copycat businesses that seldom generate profits, build little wealth, and create few jobs".[39] Borrowers' businesses are fragile and if there is a flood or a sickness or some other calamity, the borrower and her family frequently fall back into severe poverty. If the borrower dies, her business dies too. If the borrower gets too old to work, her business simply stops. And if the children have not been able to go consistently to school, their lives are likely to continue the endless cycle of poverty when their mother's business stops.

2. Criticisms of Microfinance

Partly because of the challenges, but also partly because of the extraordinary size and reach *and current visibility* of the microfinance industry, a veritable cottage industry of critics has grown up in recent years, including reporters, academics, disgruntled former aid workers, and opportunistic politicians. Fortunately, the enormous growth of the microfinance movement has also put thousands of funders, government officials, academic researchers, development specialists, advocates, and general observers into field operations, where they have been able to see with their own eyes the results achieved by microfinance institutions. Such people know the fuller truth that, in spite of many undeniable problems, the microfinance movement has elevated the lives of millions of the poor and poorest families on earth.

However, since critics and criticism are so plentiful and loud these days, and the criticisms are having an effect on the forward movement of the microfinance field, it is appropriate to briefly summarize some of the major criticisms here:

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[39] Kirk Magleby, *MicroFranchises As a Solution to Global Poverty* (Salt Lake City, Utah: MicroFranchises.org, 2006), p. 4.

- **Press criticism of accountability and transparency issues**

Routinely, whenever members of the press encounter examples of a lack of transparency, or unusual accounting practices on the part of an institution, they tend to assume the worst. This happened when the late Daniel Pearl, a staff writer for the Wall Street Journal, did a front page story on the Grameen Bank's repayment problems in 2001. His investigation revealed that there was an increase in defaults, especially in the northern districts of Bangladesh, after the floods of 1998. The Bank followed its longstanding policy of not writing off loans until they had been overdue for two years, a policy that was inconsistent with the treatment that most other MFIs used for overdue loans.[40] To be fair, Grameen was in the process of reorganizing its entire lending system at this time, introducing what is now known as "Grameen II". Lending products were reduced in number and simplified, repayment systems were made more flexible, and a system of slow payments was introduced if a borrower got into trouble to allow her to catch up and return to the normal repayment schedule. Still it is clear that for several years, it was not easy for outsiders to understand the extent of Grameen's loan repayment problems. Daniel Pearl made a case that the Grameen Bank was misrepresenting its operations and implied that the Bank was having financial difficulties, which was not the case. Fortunately, Grameen is truly committed to working with the poor and it eventually sorted out these problems. But some MFIs are not so trustworthy and clear about their mission. It is important that every MFI be transparent and above reproach in all of its accounting and financial management practices.

- **Studies that claim lack of impact**

Two recent studies have been produced using a technique called Randomized Control Trials (RCTs). This technique is considered to be the surest way to eliminate selection bias, where MFIs tend to choose people more likely to succeed in business, thereby skewing the results of any study. One of the studies was in South Africa and the other one in India.[41] Both studies seemed to show no statistically significant impact of microfinance on poverty.[42] The RCT

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[40] Daniel Pearl and Michael M. Phillips, *Grameen Bank, Which Pioneered Loans for the Poor, Has Hit a Repayment Snag* (New York: Wall Street Journal, November 27, 2001)., front page. See also Professor Yunus' spirited defense, which the Journal never published: Muhammad Yunus, *Grameen Bank, Micro-Credit and the Wall Street Journal* (unpublished, c. December 2001), pp. 1-6. Available on the internet at: http://web01.grameen.com/wallstreetjournal/index.html.

[41] Another RCT study in the Philippines is not included due to its lack of poverty focus.

[42] For a fascinating survey of recent impact studies, see Kathleen Odell, *Measuring the Impact of Microfinance: Taking Another Look* (Washington, D.C.: Grameen Foundation Publication Series, May 2010). See

system sets up a group that is under study and a control group with as close to the same characteristics as possible except for the issue being studied, in this case "microfinance". Word of these studies has shot around the world in negative press reports and made many people nervous in the microfinance sector. However, a cursory search of the web reveals that the study in South Africa was of a "pay day lender" type of program using kiosks to disburse money. There were no support groups, no business loans for self-employment, nothing resembling what we would normally call microfinance. Since the money was disbursed as small loans, the researchers simply called it microfinance. The second study in India was by an MIT-connected research group studying borrowers in the Spandana program, which uses a joint liability methodology and loans for self-employment. The study was conducted in two areas of Hyderabad, one where Spandana had started operations and one where it had not. The study looked for business expansion and startup in the two areas and found little difference after 1 ½ years. However, the variables in the study were enormous and the results hardly conclusive. They even included people who had loans from other microlenders in the affected areas, regardless of methodology. Even though the results of these studies were disappointing to microfinance enthusiasts, the press seized on them as "proof" that microfinance did not work. The real lesson here is that the press is prone to jumping to conclusions, to seeking the spectacular, and to adopting the simplistic but most startling interpretation of facts.

In 2010, the Grameen Foundation asked Kathleen Odell (Assistant Professor of Economics at Dominican University) to survey the last 5 years of impact studies. In her report, a much more nuanced and positive picture emerges:

> *"The research into the impact of microfinance that has emerged over the last five years offers some encouraging results. There is evidence from a number of studies (using a variety of methodologies . . .) suggesting that microfinance is good for microbusinesses. . . The overall effect on the incomes and poverty rates of microfinance clients is less clear . . . Hopefully, the next wave of research will provide fudrdther insights into these critical questions."* -Kathleen Odell[43]

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www.grameenfoundation.org. Odell discusses selection bias at length plus other issues with the difficulty of measuring impact scientifically in a real human community.

[43] Kathleen Odell, *Measuring the Impact of Microfinance: Taking AnotherLook* (Washington, D.C.: Grameen Foundation Publication Series, May 2010), p. 6.

- **Criticisms from development and academic circles**

Another category of criticism is from development professionals and academics. Here are two examples:

First, an article by Thomas Dichter entitled: *Hype and Hope: The Worrisome State of the Microcredit Movement.*[44] Thomas Dichter is a 30-year professional development expert who, upon retirement, has made a second career out of attacking foreign aid. He is similarly negative about the impact of microcredit. He feels that, at best, it smooths cash flow and boosts the confidence of women, but at worst the "hype has negatively affected even the modest gains of microcredit". He recommends that the field abandon efforts to directly serve the poor and, instead, make loans to larger businesses that can provide employment. In the end, Dichter states that microcredit has little or no impact on the poor or on their countries.

In a response, Sam Daley-Harris, Director of the Microcredit Summit Campaign, states, among other comments:

> *"What about the charge that microfinance may help with cash flow smoothing and boosting the confidence of women, but not much more? Christopher J. Elias, MD, MPH, President of PATH, a Seattle, U.S.A.-based global health NGO, was asked to describe the single most important action that could dramatically improve global health. His answer: 'Empower women'."*
>
> -Sam Daley-Harris, Microcredit Summit Campaign[45]

Since Thomas Dichter states that microcredit has had no impact, whether we look at individual lives or at countries, Daley-Harris cites the case of Bangladesh, a country that had been called "a bottomless basket case" by Henry Kissinger in 1974. Daley-Harris points out that Bangladesh is the world's most saturated microcredit market and, although it is difficult to assign causality to microfinance, it is certainly a contributor to Bangladesh's social indicators. Daley-Harris mentions that, in the 32 years since the first microloan in Bangladesh, the under 5 mortality rate has fallen from 239 per thousand live births in 1970 to 77 in 2004. Over 13,000 women have

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[44] Thomas Dichter, *Hype and Hope: The Worrisome State of the Microcredit Movement* (self-published, http://www.microfinancegateway.org/content/article/detail/31747, 2006). See also his negative critique of foreign aid in Thomas Dichter, *Despite Good Intentions: Why Development Assistance to the Third World Has Failed* (Amherst & Boston: University of Massachusetts Press, 2003).

[45] Sam Daley-Harris, *State of the Microcredit Summit Campaign Report 2006* (Washington, D.C.: Microcrdit Summit Campaign, 2006), p. 6.

been elected to local office. And Bangladesh has overtaken India in lowering its child mortality rate. If India had reduced its rate as much as Bangladesh, it would have lost 732,000 fewer kids in 2006.

A second critical view of microcredit is a PhD thesis turned into a book by a Bangladeshi woman named Lamia Karim. Her basic thesis is that microfinance is a neoliberal plot to destroy local and national governments and to take over control of populations for the purpose of control and profit. Since she speaks Bangla, the language of Bangladesh, she had unprecedented access to local villages and to borrowers in their native habitat. She spent two years traveling around and conducting surveys and interviewing borrowers. She found many problems and nothing good to report. Her basic orientation seems clear from the title of her first chapter: "Neoliberalism, Microfinance, and Women's Empowerment". "Neoliberalism" is usually associated with policies such as privatization of state enterprise, focusing production on products for export, increasing military expenses while decreasing social spending, emphasizing the "free market", and holding land ownership as sacred. However, Karim ignores this traditional interpretation of the term in favor of her belief that neoliberalism brings the redistribution of wealth from the poor to the rich.[46] And for her, all of the microfinance institutions that she studied, Grameen, BRAC, ASA, and Proshika, are out to enrich themselves and their organizations.

D. "Grand Vision" and Call to Action: The Leading Role for Microfinance

> *"What will be needed to have 100 million families move out of extreme poverty by 2015? To continue to improve, refine, and ramp up what we are doing today. But we can't escape poverty by loans alone. We also need a major emphasis on savings, pension programs, and the creation of a panoply of social programs we call credit-plus: health training, educational scholarships, housing improvements, sanitation, . . . training of community leaders as change agents, job and business training for the children of our clients, . . . solar energy systems, malaria bednets, etc. . . . the list is endless.*
> –John Hatch, Founder, FINCA[47]

[46] Lamia Karim, *Microfinance and its Discontents: Women in Debt in Bangladesh* (Minneapolis, MN: University of Minnesota Press, 2011), p. xxiv.
[47] John Hatch, taped interview by the author, 20 April 2011.

1. "Grand Vision" for Ending Poverty

In this paper, the author posits a "Grand Vision" for ending poverty where the microfinance sector takes the lead in bringing together the institutions and resources and media coverage necessary to create a movement to end poverty that captures the popular imagination. It is no secret that the microfinance industry is in need of "cleaning up its act" right now after many challenges have surfaced, much criticism has been produced, and many governments have begun to get involved, some with harmful legislation, as in Andhra Pradesh. What better way for the microfinance industry to regain the respect and admiration of the people of the world than to become known for successful efforts to alleviate poverty around the world? How to proceed? A good first step would be to follow John Hatch's advice by continuing and expanding the many current poverty ending activities already under way, along with adding some new ones. In the pages below, the author suggests 10 additional significant actions that would help jumpstart the movement to end poverty and establish the microfinance in a leadership role. Finally, the author proposes that the microfinance industry take the lead in mounting a new ten-year campaign to bring 100 million families sustainably out of severe poverty. When that benchmark is reached in about ten years, the microfinance industry will continue to lead in the final push to go all the way to the end of severe poverty from the planet! The suggested initial actions are listed below.

2. Proposed Actions to Implement the Vision

It is a given that the microfinance movement is at a crossroads now, and that there are many conflicting forces pushing microfinance practitioners in very different directions.

So to accomplish the "Grand Vision" to end severe poverty with the leadership of the microfinance industry, now is the time for all microfinance practitioners and supporters to join together to work towards the common goal of ending poverty. As John Hatch likes to say, let's take a "big tent" approach to the movement that includes everyone, whether they are a for-profit or a non-profit, or a proponent of "access to financial services" or a proponent of "poverty alleviation services for the poor".[48] The proposed ten actions are briefly described below.

Action #1 - The Microcredit Summit Campaign should organize ***a "Common Ground Forum"*** for leaders in both the access to credit camp and the poverty alleviation camp to come together to identify ways to work together in a "big tent" approach for the common good.

Action #2 - The industry, through the Microenterprise Coalition, **should move forward and aggressively set standards for client protection, social performance, and poverty alleviation.** Much work is already being done in these areas, but let's finish the job! It would be good for a working group of the Common Ground Forum to discuss this. It is imperative that the microfinance industry and supporters "get their act together" by working cooperatively on producing and promulgating industry-wide standards in a variety of areas to improve operations, improve client protections, and improve credibility.

There are five standard-setting efforts already under way that should be strengthened and then implemented throughout the industry:

- **The Smart Campaign** – Coordinated by the Center for Financial Inclusion at ACCION. The aim of the Smart Campaign is to provide a set up consistent and stringent consumer protection standards for the industry. The standards cover recruitment, disclosure of loan details and costs, borrower discipline, termination, and "graduation".
- **MF Transparency** – Coordinated by Chuck Waterfield. This is an offshoot of the Smart Campaign, to ensure that special attention is paid to the proper computation and disclosure of true interest rates and fees and other costs associated with microfinance.
- **Social Performance Task Force** – A large group that meets yearly in Europe that is in the final stages of creating a set of universal standards for social performance. The effort is funded by the Ford Foundation. Ensuring that organizations maintain a double bottom line mentality and practice in all of their operations.
- **Seal of Excellence** – Coordinated interimly by the Microcredit Summit Campaign and a

[48] At the author's panel at the Global Microcredit Summit in Valladolid, Spain in November 2011, John Hatch strongly urged that the field not stop at bringing 100 million families out of severe poverty. Instead, he urged that the focus be on the ultimate goal of ending severe poverty entirely.

high level advisory committee including representatives from foundations, banks, universities, NGOs, microfinance institutions, and more. The purpose is to develop and implement a Seal of Excellence that can be awarded to MFIs that effectively serve the poor and poorest with financial and other services.

- **Paris Appeal For Responsible Microfinance** – Coordinated by Convergences 2015, based in Paris, a large group of institutions meets annually to forge universal principles and rules for self-regulation of microfinance institutions to ensure high ethical standards and a continuing commitment to ending poverty.

Action #3 – The Microcredit Summit Campaign and the industry Microenterprise Coalition should cooperate on organizing ***several forums for government leaders around the world to work out appropriate regulatory policies*** to protect the consumers and the practitioners in the field from unscrupulous parties who wish to enter the field. The regulations should make allowances for the special nature of microfinance institutions. There should be accommodation for the choice for some institutions to actually provide health, education, business counseling, transportation, housing, sanitation, and other non-financial services (with appropriate accounting procedures to identify the true costs for the financial and non-financial activities). The regulations should provide for full disclosure but no capping of interest rates and fees. And the regulations should provide for staging in the regulatory process, so that reporting and other requirements are modest at the beginning stages of an institution, and more stringent as the institution grows in size. Finally, provisions should be made in the regulations for the institution to hold and use savings, with modest reserve requirements, especially at the beginning, in recognition of the historically low risk and high repayment rates of microcredit borrowers. John Hatch, founder of FINCA (one of the largest microfinance networks) points out that, in many countries, many of these results may be achieved by working with the microfinance industry to create voluntary standards, such as the client protection, social performance, and poverty alleviation standards already being produced.[49]

Action #4 - The Microenterprise Coalition should take the lead in creating ***industry wide standards for transparency and accountability*** across the field. It is important that true interest

[49] John Hatch, phone conversation with the author, 11 November 2011.

rates and fees be communicated with the borrowers, regulators, communities, and media. Additionally, common accounting standards should be adopted for the microfinance field (with modifications for specific countries, as appropriate). Also, standards for reporting operational sustainability and financial sustainability should be consistent across the field.

Action #5 – All microfinance institutions should ***perform internal social performance audits*** similar to those currently being conducted under John Hatch's supervision in FINCA. Hopefully, FINCA will be willing to become a role model for the industry and allow others to learn from their processes and their results. Perhaps the Microcredit Summit Campaign could organize several forums for industry personnel to share techniques, goals, and results for the benefit of the industry as a whole. Social Performance Audits will help each microfinance institution to determine the extent to which it already serves the poor and poorest, if at all, and to make a decision about what they want to do about it.

Action #6 - Encourage all microfinance institutions interested in serving the poor to create ***programs to identify, attract, and assist the very poorest clients, the "ultra poor",*** to get ready for a microloan. Traditional microfinance programs tend to attract borrowers who are above the poorest level. So we need programs that get the "ultra poor" ready for a microloan. Grameen in Bangladesh has its beggars program, and Jamii Bora uses experienced borrowers to mentor new "ultra poor" borrowers. A program that shows promise is the BRAC-inspired ultra-poor "graduation pilot" program that has now been established in ten locations in different parts of the world. The programs assign a case manager, or mentor, to manage a family's testing, social services, subsidies, training, healthcare, and other support during a two-year period to help them climb to the bottom rung of the poverty ladder where they are ready to qualify for a microloan and to start and operate an income-generating business. These programs need to be scaled up so they can reliably be replicated by microfinance institutions throughout the world.[50]

[50] See Nathaniel Goldberg and Arielle Salomon, *Ultra Poor Graduation Pilots: Spanning the Gap Between Charity and Microfinance* (Washington, D.C.: Microcredit Summit Campaign, paper from the 2011 Global Microcredit Summit, 2011), pp. 1-16. Also, Anne Hastings, taped interview by the author, 19 October 2011.

Action #7 - The microfinance industry should ***embrace microfranchising and employment training organizations*** to provide avenues for microcredit borrowers and their children to move sustainably out of severe poverty and into longterm productive employment either in their own businesses or in another business or agency. There is growing evidence that borrowers do not usually maintain improved income and lifestyle levels when the borrower dies or becomes ill. When a Grameen borrower dies, for example, her business usually dies with her. And if she or her husband contracts tuberculosis, the business may also die. In such cases, her family may fall back into severe poverty. Education for the children, healthcare, and other interventions can make a huge difference. Many microfinance institutions already provide scholarships for the children of borrowers to go to high school or university (i.e., Grameen Bank in Bangladesh, BRAC in Bangladesh, Friendship Bridge in Guatemala). Microfinance institutions should collaborate with employment training programs and microfranchise programs to provide an avenue for growth for their borrowers and for their borrowers' children. Such a program could start with an academy where prospects are evaluated and tested to determine their readiness and interest in either training for a job or taking on a franchise business. Prospects could then be referred to a job training and placement program or to a franchise training program. In the latter case, there are now consulting firms to help the microcredit industry to link with microfranchising opportunities. Jason Fairbourne is one of the best known of these consultants. He has helped establish microfinance programs in Uganda, India, Jamaica, and numerous other locations. The advantage of a microfranchise business is that it is standardized, market-tested, and designed for growth and hiring others. For the 10% of borrowers or their children with the temperament to operate a growing business, this could be a real option.[51]

Action #8 - There should be a ***renewed emphasis on the use of poverty measurement tools.*** To reach and empower families to rise out of severe poverty, there will have to be a commitment from microfinance institutions and funders to the utilization of poverty measurement tools to identify the entry level of poverty for a borrower at the beginning of her time with the microfinance institution and to track the person's pathway out of severe poverty over time.

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[51] Jason Fairbourne, taped interview by the author, 30 October 2011. See also Jason S. Fairbourne, ed., Stephen W. Gibson, ed., and W. Gibb Dyer, Jr., ed., *Microfranchising: Creating Wealth at the Bottom of the Pyramid* (Northampton, Massachusetts: Edward Elgar Publishing, Inc., 2007).

Relative poverty measurement tools such as the Malaysian House Index from CASHPOR in South Asia and Participatory Wealth Ranking from the Small Enterprise Foundation (SEF) in South Africa have been used for years. But now we need to move to tools that measure more "absolute" poverty such as USAID's Poverty Assessment Tool (PAT) and the Grameen-style Progress Out of Poverty Index (PPI). These are already being used by some MFIs.[52] The use of these or other tools should become universal in the microfinance industry. John Hatch suggests that, at a bare minimum, MFIs should adopt a tool for screening that includes the following two questions: "(1) What were your family expenditures last week? And (2) How many people are there in your family?"[53]

Action #9 - The microfinance industry should take the lead in ***establishing cooperative relationships*** with funders, governments, healthcare programs, educational institutions, development institutions, employment training institutions, regulatory agencies, banking groups, and many more to work together to bring millions of families out of severe poverty.

In a recent interview, John Hatch likened this idea to a train. Many in the microfinance field have been working for years on building a "ladder out of poverty". Hatch suggests that if those ladders are put on the ground, they become a train track. The microfinance industry has laid this infrastructure track into "*every nook and cranny of third world environments where poor people live*.[54] Microfinance has also provided the engines that drive the train in the form of microloans. Now, the microfinance industry should take the lead in adding the cars to the train. These will be provided by the many cooperating institutions mentioned above – banking and development and healthcare and education and telecommuncations and transportation, and so on. Local governments can provide the right of way, the rule of law, the contract law, regulations, and more. Service clubs like Rotary, Kiwanis, Lions, and others should also be able to provide valuable support, influence, and guidance in many countries.

This is consistent with Alex Counts' idea that microfinance is "a platform, not a product".

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[52] The Grameen Foundation has become the administrator of the Progress Out of Poverty Index (PPI) tools. PPI tools have been developed so far for 38 countries and more are on the way.
[53] John Hatch, phone conversation with the author, 11 November 2011.
[54] John Hatch, taped interview with the author, 20 April 2011.

> *"I propose a new model that views microfinance not as a mere financial product, but as a platform for delivering a host of products and services to the world's poorest, most isolated people. . . MFIs' [microfinance institutions'] most important assets are not their loan portfolios, but their high-quality relationships with the world's poor."* -Alex Counts, Grameen Foundation[55]

Action #10 – Create an industry-wide **speakers bureau composed of industry leaders and newcomers to ensure that industry voices are heard frequently and powerfully and persuasively on the issues brought** by the press and by critics. The microfinance movement has been blessed with wonderful writers and speakers who have helped to inspire and guide the movement through the many periods of turbulence over the years. Many of the original leaders, Muhammad Yunus, John Hatch, and Sam Daley-Harris, are at or near 70 and are moving into retirement. Of course, Alex Counts, President of the Grameen Foundation, is still young and in his prime. May all of our leaders now be joined by a new generation of thoughtful and passionate new leaders who will add their voices to the calls for sanity, balance, and action as we move forward to eradicate hunger and poverty from the earth!

All too frequently, the loudest and most outlandish voices are the ones we hear because the people who are actually doing the work and getting the job done don't speak out, or don't speak out loudly. It is important for all of the leaders of the microfinance movement, past and present, to speak out vigorously and continuously in favor of a balanced, inclusive approach. The critics must be answered.

As an example, when the situation blew up in both Bangladesh and India at the same time, Alex Counts sent frequent emails and blog posts to update Grameen supporters on the situation.[56]

Another example occurred last year, when there was quite a brouhaha over the release of the results of the first two Randomized Control Trials (RCTs). It appeared that the academic researchers were saying that microfinance has little impact on the lives of the very people whom we all want to help. Ever the wise observer, Chris Dunford made these comments in a

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[55] Alex Counts, *Re-imagining Microfinance* (Stanford: Stanford Social Innovation Review, Summer 2008), quoted extensively in Sam Daley Harris, *State of the Microcredit Summit Campaign Report 2009*, pp. 10-11.
[56] See Alex Counts' blogs on various topics on the Grameen Foundation website: http://www.grameenfoundation.org/.

perceptive article about RCTs and measuring positive impact that he posted on the Hunger Blog maintained by Freedom From Hunger:

> *"Let's be clear about something very important. There are various levels of 'knowing' the value of microfinance . . . We cannot ignore the personal experience of development practitioners who have decided that microfinance is worth their time and effort . . .we do not have a vested interest in microfinance being the 'silver bullet' against poverty. Many of us have decades of experience in fieldwork with the poor . . . Perhaps we've trained budding entrepreneurs for months only to see their businesses flounder in the face of competition. Perhaps we've looked into grateful but discouraged faces and wondered what, if anything, might engage the poor in their own development. And then perhaps we saw a group of women come together in mutual support to borrow or just save for their own purposes. at first very uncertain and then, over time, getting more and more self-confident and evincing a palpable sense of hope, opening up to possibilities like flowers opening to the sun."* -Chris Dunford, Freedom From Hunger[57]

Simple. Powerful. Impactful. Poetic. And the rest of this posting nicely presented a way of holding the disturbing news from the academic researchers while remembering the human side of the story and the reason why we all got involved in this field in the first place.

3. Call to Action: Ten-Year Campaign to Dramatically Reduce Poverty

Microfinance institutions are already undertaking many of the actions suggested above. What is now needed is a galvanizing movement to end severe poverty, a clear baseline for measurement, a clear interim goal, a visionary final goal, and a clear tracking and support system for moving millions of people out of severe poverty.

It is not microfinance institutions alone, but microfinance institutions in cooperation with hundreds and thousands of other like-minded institutions, that has the power and potential to end poverty on our planet.

With every available institution working together, ***it is hereby proposed that the microfinance***

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[57] Chris Dunford, *Different Levels of 'Knowing' the Impact of Microfinance* (http://www.freedomfromhunger.org/blog/?p=34, Hunger Blog, 30 Apr 10), pp. 2-3.

movement mount a new "100 million campaign" to move 100 million families sustainably out of severe poverty. To accomplish the goal of reaching 100 million families, a new baseline time and population number must be set. 2010 is a possibility, because it is recent and numbers are available, or 2006, because that is the year we adopted the original goal to move 100 million families out of severe poverty, or some other convenient date. And we must identify how many of the 134 million families who have received loans this year are already above the $1.25 per person per day poverty level. When the baseline is set, a date for completion must be chosen. A 10-year campaign seems reasonable and consistent with previous campaigns. It is very important that the microfinance movement, including the Microcredit Summit Campaign, take the lead in moving this campaign forward.

A new goal must be set. The following tentative language could be a model for such a goal:

> *"To move 100 million of the world's poorest families, especially the women of those families, sustainably out of severe poverty, beginning 31 December 2010 and ending 31 December 2020, utilizing a coordinated and comprehensive development approach led by microfinance institutions throughout the world."*

We return to the question: "Moving 100 million people out of severe poverty: How Can We Do It?" Clearly, the microfinance field has already brought large numbers of people out of severe poverty. The problem is, we don't know exactly how many and we don't know how much microfinance contributed to their movement, since many other interventions were always involved (clean water, vaccine campaigns, housing programs, and education for all initiatives, to name a few). But the microfinance field, with its resources, credibility on the ground, and expertise in working with the poor in their home locales has the clout to get this job done!

So what is the answer to the question: "Moving 100 million families out of severe poverty: How can we do it?" We can do it by having the microfinance movement take the lead in organizing a new campaign to move 100 million people out of poverty by 2020, as the next step, and then to lead the push all the way to the end of severe poverty in our world!

4. Ending Severe Poverty

The microfinance industry has established a remarkable network of grassroots connections and credibility at the local level in almost every country on earth. These are John Hatch's "train tracks". Now it is time for microfinance leaders to build on that credibility, and the industry's newfound visibility, to create a movement and to lead a major push to eradicate severe poverty from the planet! The movement could begin with the ten-year campaign to move 100 million families out of severe poverty by 2020. Such a campaign would be the first measurable step to making it possible for all 280 million families living in severe poverty to leave that dismal way of life behind!

E. Conclusion

In this paper, it has been shown that the microfinance movement is, indeed, at a crossroads. After almost 40 years of learning and growth, the field is now confronted with unprecedented problems and criticism. Microfinance institutions are faced with the choice of two directions, one where the microfinance industry splits into two warring camps and the other where the industry works together and takes leadership in the movement to end severe poverty.

The author joins with John Hatch, Alex Counts, and others in calling for a "big tent" approach that includes both camps. And at the Global Microcredit Summit in Spain, both John Hatch and Muhammad Yunus called for going all the way together to end severe poverty.

> *"Now we must prepare for Millennium Development Goals Phase II. What will happen after 2015? We need to start the preparations . . . Even if the United Nations has its own list of goals, we [microfinance institutions] want to create our own list of goals . . . One of the goals that we may think about [is] bringing poverty to zero . . . And it has a very simple logic – it's not kind of a crazy idea that we will throw in – the simple logic is that if we have succeeded at reducing poverty by half by 2015 . . . why don't we set the goal ourselves to bring poverty to zero and make sure we achieve that goal?* -Muhammad Yunus[58]

[58] Muhammad Yunus, remarks at the final plenary celebration, Global Microcredit Summit, Valladolid, Spain, 17 November 2011. See video at http://mediateca.fundacion.telefonica.com/visor.asp?e7608-a15342.

It has been shown that the microfinance industry, in working to reduce poverty, has been providing financial services and many other services to the poor and moderately poor for many years. In so doing, the industry has created deep and long-lasting relationships in every nook and cranny where the poor live on the planet.

John Hatch likens the microfinance industry to a train system where the tracks and engines have been provided by the microfinance institutions and the cars have been provided by the many other cooperating institutions that have participated along the way.

Professor Maricruz Lacalle-Calderón has been quoted for her analysis that foreign aid and the international banking system are "top down" and microfinance is "bottom up" and much closer to its clients and their needs. It has also been shown how the microfinance movement created its second goal to bring 100 million families out of severe poverty to help implement the first millennium development goal of cutting absolute poverty in half.

Now is the time for the microfinance movement to step up and take the lead in the final push to bring the next 100 million families out of severe poverty! And then we must go on and bring the rest out of poverty as well!

Now is the time to finally begin to end the scourge of poverty that has afflicted the planet for millennia. Now is the time to plan for building the museums that Muhammad Yunus calls for to house the shocking exhibits showing what poverty used to be like.

And now is the time to dream of the joy that Federico Garcia Lorca envisions on the day that hunger and poverty are eradicated from the earth!

> *"The day that hunger is eradicated from the earth, there will be the greatest spiritual explosion the world has ever known. Humanity cannot imagine the joy that will burst into the world on the day of that great revolution."*
>
> -Federico Garcia Lorca, Spanish poet and dramatist[59]

[59] The origin of this quote is unknown. It may be found in Minnesota Food Share, *"Quotes About Hunger and Poverty",* mnfoodshare.gmcc.org/docs/HungerQuotes.pdf.

F. Postlude – A Retreat, a Summit, and Ending Extreme Poverty by 2030

1. Background

It would appear that we are witnessing "a moment" in recent years when many forces are converging to make a movement to end extreme poverty not only possible but inevitable. For a movement to develop for the end of poverty, it is necessary for the *concept* that poverty can be ended to be established and accepted. If we cannot conceive of ending poverty, we cannot work to end it. Perhaps the first major breakthrough in the spread of this concept was Professor Jeffrey Sachs' seminal book, *The End of Poverty*, in 2005.[60] Professor Muhammad Yunus followed in 2007 with *Creating a World Without Poverty.*[61] Subsequently, articles have appeared in many publications on the subject of ending poverty, most notably in the *Wall Street Journal* and the *Economist*. [62] Adding to the momentum, reports in 2012 and 2013 trumpeted the news that we have reached Millennium Development Goal #1, to halve the proportion of absolute (or extreme) poverty by 2015, *five years ahead of schedule in 2010!* While this was achieved largely because so many people were moved out of extreme poverty in China, India, and Brazil, thus averaging up the entire planet, it is still a major achievement.[63] Recently, in his 2014 annual letter, Bill Gates joined the chorus of voices calling for the end of poverty, by predicting that there will be almost no poor countries by 2035.[64]

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[60] Jeffrey Sachs, *The End of Poverty: Economic Possibilities For Our Time* (New York: The Penguin Press, 2005).
[61] Muhammad Yunus, *Creating a World Without Poverty: Social Business and the Future of Capitalism* (New York: Public Affairs, 2007).
[62] See, Nicholas Kristoff, *A Way of Life is Ending. Thank Goodness,* (New York: Editorial in the New York Times, 29 September 13). Also, editorial writer, *Poverty: Not Always With Us* (Hong Kong and Washington, D.C.: The Economist, 1 June 2013).
[63] To name just two resources on reaching Millennium Development Goal #1, see John Podesta, *Looking Back, Looking Forward: The Millennium Development Goals*, (Washington, D.C., New America Foundation, speech delivered at the St. Regis Hotel in Washington, D.C., 5 April 2013, p.3 of the article). See also, John W. McArthur, *Own the Goals: What the Millennium Development Goals Have Accomplished* (*Foreign Affairs,* published by the Council on Foreign Relations, March/April 2013 issue, p. 6 of the article).
[64] Ritchie King, *Bill Gates Predicts There Will Be Almost No Poor Countries by 2035,* (RitchieKing@rRichieSKing (blog), published in Quartz, a digital outlet of The Bill and Melinda Gates Foundation, 21 January 2014). Mr. Gates seems to be relying on the Gross National Product as a measure of the povety level of a country. However, it is clear that a small percentage of extremely wealthy individuals can average up entire nations. This is certainly the case in India, where over 600 million people continue to live below $1.25 per day while the country's GNP continues to rise dramatically.

Finally, in February 2013, the nascent movement to end poverty got a substantial boost from the new President of the World Bank, Dr. Jim Kim, when he called for ending extreme poverty by 2030.[65]

2. The Ending Poverty Action Retreat in Manila

It was against this background of progress in the acceptance of the concept of ending poverty that the Global Microcredit Summit was held in November 2011 in Valladolid, Spain (just north of Madrid). At that Summit, there were many calls for ending poverty, especially from Grameen Bank founder, Professor Muhammad Yunus, and FINCA founder, Dr. John Hatch.

At that Summit, this author delivered a paper entitled: *Moving 100 Million Families Out of Severe Poverty: How Can We Do It?*. The paper was in support of a three-person panel at the Summit and covered the background and growing impact of microfinance (Dr. Maricruz Lacaille-Calderón), the challenges and criticisms of microfinance (Alex Counts), and the "Grand Vision" for a leading role for microfinance in ending severe poverty (Dr. John Hatch).[66]

After the panel, over 20 microfinance leaders participated in a dinner and discussion about moving forward with the movement to bring 100 million families out of extreme poverty as a contribution to the movement to end extreme poverty altogether.

Subsequently, a group of interested microfinance leaders and two non-microfinance leaders began meeting to organize a retreat for world leaders to create a plan to end extreme poverty. In

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[65] At a press conference after his first meeting with the Development Committee of the World Bank, Dr. Jim Kim brandished a hand-lettered sign containing the numbers "2030" and proclaimed: "This is it. This is the target for ending poverty." See a 2 ½ minute video of the event at: http://www.worldbank.org/en/news/speech/2013/05/21/world-bank-group-president-jim-yong-kim-speech-at-world-health-assembly.

[66] Bob Sample, *Moving 100 Million People Out of Extreme Poverty: How Can We Do It? (*Washington, D.C., Microcredit Summit Campaign, RESULTS Educational Fund, 28 December 2011, http://www.microcreditsummit.org/resources.php. The paper was delivered at the panel of the same name on 14 November 2011. The paper was revised to include the results of the panel. The final version was dated 28 December 2011 and posted on the Microcredit Summit Campaign website the following December. The paper has now been slightly revised to include a new Postlude on the movement to end extreme poverty by 2030. It will be published in the Spring 2014 edition of the Journal of Social Business.

early 2013, at the urging of Larry Reed, the emphasis shifted to attaching the retreat to the microcredit summit planned for Manila, Philippines, in October 2013.

Larry Reed had became the new Director of the Microcredit Summit Campaign at the RESULTS Educational Fund in Washington, D.C. in 2011. Larry had long been an advocate for returning the microfinance movement to its roots --- that is, return to its original mission of ending the poverty of impoverished people (mostly women) and their families around the world.

Larry Reed decided to turn his first regional Summit into a functional summit focused on creating partnerships to generate local movements to end extreme poverty in countries all over the world. So the name of the Summit was changed to the Partnerships against Poverty Summit. It was held in Manila, Philippines, on 9 -11 October. Nearly 900 people from all over the world attended. The main purpose of the Summit was to generate local, national, and global partnerships aimed at contributing to the movement to bring 100 million families out of extreme poverty as a contribution to the movement to end extreme poverty by 2030.

Larry Reed encouraged and supported the effort to organize a retreat in advance of the Summit in Manila. As a result, the Ending Poverty Action Retreat was held on 8 October 2013, the day before the Partnerships Against Poverty Summit. 29 leaders attended, representing a mix of microfinance, development, media, funding, and advocacy institutions. Men and women were equally represented. While about 70% were from many different Asian countries, 30% traveled from the U.S., Latin America, Europe, and Africa. The primary purpose of the Retreat was to develop a five-year plan for the early actions necessary to accelerate the movement to end extreme poverty by 2030 as called for by the President of the World Bank.

3. Outcomes of the Summit and Retreat in Manila

The Partnerships Against Poverty Summit in Manila was a huge success. Not only were the delegates excited and inspired by the vision of moving 100 million families out of poverty and the larger movement to end extreme poverty by 2030, but they took action. 17 major international partnerships were announced at the Summit and efforts are underway to support and document progress toward creating and

implementing these partnerships.[67] In addition, many smaller more local partnerships have also been established involving water projects, solar energy, cell phone use, cook stoves, and more.

The Ending Poverty Action Retreat was also a success. Participants have formed poverty-oriented partnerships with other Retreat participants and with others in the general Summit. For example, the Rotary Action Group for Microfinance and Community Development has initiated partnerships with Opportunity International, FINCA, and the BRAC Ultra Poor Program (all of these partnerships are international in scope).

A second purpose of the Ending Poverty Action Retreat was to impact the entire Partnerships Against Poverty Summit. To do this, the 29 participants and 2 facilitators from the Retreat fanned out in the Summit and "talked up" the "100 million campaign" (to move 100 million people out of poverty), the movement to end extreme poverty by 2030, and the value of identifying and forming innovative partnerships to move toward alleviating and even ending poverty in communities and countries all over the world.

Impact from the Retreat was also accomplished in a big way at the beginning of the Summit, when the "call to action" video arranged by the Retreat staff was played in the opening plenary of the Summit. In that video, Dr. Jim Kim, President of the World Bank, announced that he is shifting the priorities of the Bank toward ending poverty and that he is committing the Bank to partnering with the microfinance sector in the movement to end poverty by 2030.[68] Since the Bank had previously not been very supportive of microfinance, it was very welcome news to hear that the President of the Bank had committed the institution to partnering with microfinance around the world in the cause of jointly ending poverty by 2030.

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[67] See the Microcredit Summit Campaign website for details of all of the 17 partnerships at http://www.microcreditsummit.org/ and more specifically at http://www.microcreditsummit.org/how-to-demonstrate-your-commitment.html

[68] See the 2 ½ minute video at: http://partnershipsagainstpovertysummit.org/

Another outcome of the Retreat was the development and promulgation of the Ending Poverty Action Declaration.[69] which turned the principles and main strategies of the Retreat into a document that could be endorsed as a preliminary commitment to working on the movement to end poverty by 2030. The Declaration is an inspiring affirmation of the principles necessary to build a vibrant movement to end extreme poverty based on a healthy microfinance sector. The original version of the Declaration was read by Dr. John Hatch and members of the drafting committee in the final "commitment" plenary of the Retreat. The Declaration is now being circulated for endorsement by a large number of organizations. The endorsement process serves as a starting point for having organizations consider the issues and desirability of becoming involved in the movement to end extreme poverty by 2030.

A final outcome of the Ending Poverty Action Retreat will be the completion of the five-year plan for the early actions needed to build the movement to end extreme poverty by 2030. With only one day to work in Manila, this effort is being completed at the time of this writing (April 2014) by members of the Retreat group. The final draft is planned for completion and distribution for final inputs and adoption by the members of the Retreat and selected other advisors by 15 May. It is planned that the Plan will be formally presented to the President of the World Bank at the annual International Conference of RESULTS and the RESULTS Educational Fund which will take place in Washington, D.C. during 21-24 June 2014.

4. Summary of Current Actions Being Taken

The Ending Poverty Action Retreat and the Partnerships Against Poverty Summit were seminal events that will hopefully serve as turning points in the development of the movements to bring 100 million families out of extreme poverty and to end extreme poverty by 2030. Both events set in motion quite a few actions that are being taken to implement the commitments made.

[69] This Declaration was originally called the Partnerships Against Poverty Summit Declaration. The original long (edited) version may be found on the Microcredit Summit Campaign website at http://partnershipsagainstpoverty.org/category/summit-news/. For the revised universal Ending Poverty Action Declaration, both long and short versions, and the Endorsement Form, contact the author at bbsample@ix.netcom.com.

Some of the current actions being taken are:

- Gaining endorsements of the Ending Poverty Action Declaration from hundreds of interested organizations. The Microcredit Summit Campaign staff is working on this at the present time.
- Gaining commitments for partnerships from hundreds of organizations within and without the microfinance sector. Monitor and support and track the progress of the these partnerships.
- Completing the five-year plan for the early actions necessary to build the movement to end extreme poverty by 2030. The 29 participants at the Ending Poverty Action Retreat are working on this with the Retreat facilitator and coordinator. The Microcredit Summit Campaign staff is supporting this effort. The types of actions being contemplated are:
    1) Mounting a worldwide media campaign focusing on the need to end extreme poverty and the costs and benefits of such action.
    2) Creating an ending poverty alliance to plan campaigns and events and to track progress.
    3) Organizing an Ending Poverty Summit in 2016 or 2017 to bring all the stake-holders together to bring the movement to end extreme poverty by 2030 into high gear.
    4) Creating a 15-year plan to end extreme poverty in 2030 no later than 2015.
    5) Developing and implementing a fundraising plan to provide adequate financial resources for the movement to end poverty by 2030.
    6) Gathering standard statistics as well as non-standard statistics on poverty levels around the world and publishing the results.
    7) Creating a system for celebrating successes and responding to problems as they arise.
    8) Organizing regional and global summits on ending poverty to share successes and good practices as well as to support organizations and regions experiencing difficulties with achieving the local goals for ending extreme poverty.

Clearly the barriers to going forward with the movement to end extreme poverty by 2030 are severe and at times they appear insurmountable. But, for the reasons stated earlier, it seems that there has never been a better time to push through and to make the goal of ending extreme poverty a reality. Clearly, governments, while necessary, are not going to be able to accomplish this goal on their own. It will take a small number of committed organizations and individuals from civil society who bring the vision, the drive, and the willingness to believe that it can be done who will organize and inspire the thousands, even millions, of individuals and organizations whose collective actions will finally bring an end to the scourge of poverty that afflicts the earth.

Indeed, as Margaret Meade famously said --

> *Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it's the only thing that ever has.*[70]

[70] See http://www.brainyquote.com/quotes/quotes/m/margaretme100502.html#dyfVOez08Tz6mzt6.99

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The author also wishes to express heartfelt thanks to the 13 persons who generously agreed to make the time available for interviews for this paper. Their names are in the list of interviewees below. Many of the ideas expressed in this paper came directly from the interviews.

Huge thanks to my three panelists at the Global Microcredit Summit, where many of these ideas were presented at our panel on Monday, 14 November 2011. The three panelists gave me their interviews plus they read the paper and gave me suggestions for improvements, with special emphasis on their individual sections that pertained to their presentations on the panel. So Maricruz Lacalle-Calderón focused her feedback on Section B, Microfinance at the Crossroads: Success From the Bottom Up. Alex Counts focused on Section C, Challenges and Criticisms. And John Hatch focused on Section D, "Grand Vision and Call to Action: The Leading Role for Microfinance.

Thanks also to my wife, Barbara Sample, and my friend, Mike Wiesner, for reading the early draft and making editorial suggestions. Additionally, my new friend, John Kelson, did yoeman's duty by closely reading the final draft and correcting many typographical errors and making valuable final wording suggestions, most of which are incorporated in this final document.

Finally, I am grateful to Robert Mulcahy who helped me to create my introductory presentation for the panel at the Microcredit Summit.

LIST OF INTERVIEWEES
(listed in order by date)

Dr. Scott Leckman, taped interview by the author, 4 February 2011.

Chris Dunford, taped interview by the author, 15 February 2011.

Bruce Preville, taped interview by the author, 11 March 2011.

John Hatch, taped interview by the author, 20 April 2011.

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Maricruz Lacalle-Calderón, taped interview by the author, 22 September 2011.

Kathleen Gordon Close, taped interview by the author, 4 October 2011.

Mike Wiesner, taped interview by the author, 15 October 2011.

Larry Reed, taped interview by the author, 19 October 2011.

Anne Hastings, taped interview by the author, 19 October 2011.

Jan Maes, taped interview by the author, 24 October 2011.

Sam Daley-Harris, taped interview by the author, 24 October 2011.

Jason Fairbourne, taped interview by the author, 30 October 2011.

In addition, the author had many phone and skype conversations and email exchanges with the three panelists: Maricruz Lacalle-Calderón, Alex Counts, and John Hatch. Finally, several phone conversations with Larry Reed and Chris Dunford were very helpful.

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