

A Begger, a Thief, and 100 Million More

Who is an acceptable credit risk? How about Clarice Adhiambo, a beggar in one of the world's largest slums? Or Wilson Maina, a thief?

"Clarice was a beggar on the streets of Nairobi for 15 years. She had given up all hope," said Ingrid Munro. "Wilson was one of the most wanted criminals in the Mathare Valley slum. He chose that destructive type of life because he thought it would be better to be shot dead by a policeman than to slowly starve to death from poverty."

In 1999, Munro founded the Kenyan microfinance organization Jamii Bora with 50 beggars, because she believed that even thieves, beggars, and prostitutes had talents. As a result, Wilson didn't die — he was saved by the faith of Munro and microcredit. And Clarice was one of the 50 beggars who launched what has become one of the most innovative microfinance organizations around. Ten years and 200,000 members later, Jamii Bora provides loans to some of the most desperate and neglected people in the world, as well as health and life insurance, sobriety programs, and even home ownership to get members out of slums.

In January 2009, the Microcredit Summit Campaign (a project of RESULTS Educational Fund) announced a monumental achievement: more than 106 million of the world's poorest people who live under US\$1/day held microloans in 2007 (over 154 million people total when those who earn greater than \$1/day are included). When the Campaign set a goal in 1997 of reaching 100 million of the poorest, fewer than 8 million people held microloans. It had taken 20 years to reach that number, so the goal was seen as audacious. But the combined efforts of the Campaign, microfinance organizations around the globe, and the tireless advocacy of RESULTS led to a *growth rate of 1,300 percent in ten years!*

"This is a tremendous achievement that many people thought was far too difficult to reach," said Muhammad Yunus, founder of the Grameen Bank, Nobel Peace Prize Laureate, and RESULTS/REF board member. "What makes it even more remarkable is that loans to more than 100 million very poor families now touch the lives of more than half a billion family members around the world. *That is half of the world's poorest people!*"

In a note written expressly to RESULTS' volunteer advocates, Yunus wrote, "Without your perseverance, commitment, and advocacy, we would not have been able to make this groundbreaking announcement."

The announcement was celebrated in New York City on January 26 and received press in newspapers around the world, from Nigeria to Saudi Arabia. Yunus was interviewed on CNBC while Munro spoke at the World Bank and to dozens of congressional staff in Washington, D.C.



Once a "very skinny" beggar, Clarice Adhiambo's life was transformed by microfinance.

Breaking the Rules of Banking

None of this would have been possible if, as a young economist, Yunus hadn't looked at the desperate poverty surrounding him in Bangladesh and come up with a radical plan. "Whatever banks did, I did the opposite," he said.

Banks lent to the rich; Yunus' Grameen Bank gave out tiny loans to the very poor. Banks asked for collateral and paper work; Grameen Bank asked its illiterate customers to band

Creating Economic Opportunity in the United States

Concerned about the most vulnerable people in the current economic crisis, RESULTS worked hard to ensure that critical investments in anti-poverty measures were included in the economic recovery legislation that was passed in February. As a result, 13 million more low-income children and their families are receiving the Child Tax Credit (CTC), and the Earned Income Tax Credit (EITC), the largest anti-poverty program in the U.S., was increased for large families and married couples. These temporary changes, along with increased resources for the Supplemental Nutrition Assistance Program (formerly food stamps), Head Start, and Medicaid, will go a long way in helping millions of struggling low-income families.

RESULTS' Economic Opportunity campaign focuses on building savings and assets through the tax code, because good tax policy can help move and keep low-income people out of poverty. We're now working to make the CTC and EITC changes passed in the recovery bill permanent, expand these credits for certain populations, and pass asset building provisions like the Saver's Bonus. The Saver's Bonus encourages low-income people to save by providing a dollar-for-dollar match of up to \$500 per year to those who deposit all or part of their tax refunds into a savings product. Not only does this help the most vulnerable, it also promotes responsibility. Many changes to the tax code will take place in 2009 and 2010 as the Bush tax cuts expire. This gives RESULTS a great opportunity to help reform the tax code to make it fair for everyone. **Join us in this effort: visit www.results.org.**



Rebecca Sullivan

together in banking clubs, draw on their resourcefulness to start small businesses, and prove that they could take out bigger loans by paying off small ones.

With tiny fistfuls of previously unobtainable capital, millions of borrowers have bought the essentials necessary to sell tortillas, weave chairs, sew clothes, sell calls on cell phones, and for count-

less other endeavors that enable them to earn enough for life's necessities — a roof that doesn't leak, an education, and enough food so that no one needs to beg, sell their bodies, or steal.

"In the beginning, they think they know nothing," said Munro, describing first-time microborrowers, "but as they grow, they come up with brilliant ideas. Now the beggars become good businessmen, and the thieves become good citizens, and the prostitutes

become proud, healthy mothers and good business women."

All it took was a \$20 loan to get Wilson out of crime. Many loans later, he supports his family with four small businesses and has convinced hundreds of other young men to get out of crime.

As for Clarice, ten years after taking her first loan of \$22, she is barely recognizable. "She was a very skinny woman, very ragged," said Munro. "But now in good African style, she's beautiful because she's big, which means she's healthy." With her four businesses, Clarice employs 12 people. Her son, who once begged beside her, is now a branch manager for Jamii Bora.

While the world's conventional financial institutions are failing, microfinance has spread to the most destitute corners of the world and proved that the poor can be excellent credit risks. "Microcredit is one of the most effective ways to help the poor find a dignified route out of poverty," said Microcredit Summit Campaign director Sam Daley-Harris, "and it does so with payback rates that traditional banks would envy."

Moving Up and Moving In

And while many Americans are losing their homes, Clarice's and Wilson's families recently moved out of their tiny shacks in the slums into brand-new houses. Both Grameen Bank and Jamii Bora give what they call "sub-sub-sub-prime loans," but they have the fundamentals right. Potential buyers must have successfully repaid three self-employment loans to qualify for a mortgage.

Jamii Bora just finished building the first phase of a new town, called Kaputei. The revolutionary community will ultimately have 2,000 homes, space for 3,000 businesses, and a new school.

Each house consists of two bedrooms, a bathroom, a kitchen and a sitting room, and yet the monthly mortgage is the same as the rent for a one-room dwelling in the slums.

"Our own members are producing everything, from tiles to floors to walls," said Munro. "We have proven again that the poor can create miracles. They are not helpless, they are full of drive to get out of poverty."

"This sitting room is twice as big as my whole house in Mathare," said Wilson in wonder. "My children will be able to live my dream."

A life without the agony of poverty doesn't have to be a dream. Wilson and Clarice's stories show the triumph that can be unleashed through microfinance.



Wilson Maina and his family recently moved out of this one-room shack and into a new home.

But current financial woes threaten these dreams. "It's half the population of the world, the bottom 50 percent, the 3 billion people — they will be the victims of this crisis," said Yunus.

RESULTS activists are pushing for expansion of microfinance on two fronts. At our urging, Congress passed a law in 2004 that requires the U.S. Agency for International Development (USAID) to invest at least half of funds allocated for microenterprise into programs that reach the very poor — a goal the agency has not met. We continue to insist that this goal be achieved. We're also asking Congress to double funding for the program for 2010.

In addition, we're asking the World Bank to increase its investment in microfinance for the very poor. With RESULTS' support, 29 members of Congress met with Robert Zoellick, president of the World Bank, in 2007 to discuss the Bank's underutilization of microfinance. This past fall, 114 members of Congress signed a letter asking the Bank to offer \$200 million in grants and create wholesale funds to provide microfinance institutions with capital, especially important during the global credit crunch.

Microfinance has brought new hope and dignity to millions of people who've been given a real chance to succeed. The Microcredit Summit Campaign now wants to multiply stories like Wilson's and Clarice's 175 million times. The Campaign's goals for 2015 are 1) reaching 175 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial services, and 2) ensuring that 100 million families rise above the US\$1 a day threshold.

Said Yunus, "There are still many people we are not reaching. We cannot stop now."