Microfinance and Enterprise Development (MED): Effective Tools to Eradicate Poverty?

Speaker's Corner Discussion Synthesis

This report summarizes the key points raised in "Microfinance and Enterprise Development (MED): Effective Tools to Eradicate Poverty?" Speaker's Corner held October 14–16, 2008. A complete transcript is available at www.microlinks.org/sc/povertyoutreach.

Spearheaded by the The SEEP Network Poverty Outreach Working Group (POWG), members of which moderated the forum, the online discussion sought to identify the financial and enterprise development products and services needed by the very poor—people who live on less than $1 a day—as well as the most effective sequencing of those services. In addition, the forum hosted a lively discussion of the use and utility of a wide range of poverty assessment tools.

> ***Welcome Message***
>
> *'Microfinance and enterprise development practitioners have always aimed to serve very poor people…but very few existing approaches, both within microfinance and enterprise development, specifically tailor their products and services to very poor people.'*
>
> ***Jan Maes (Host)***

This report draws on the wide-ranging discussions that took place, and presents the key points and ideas prompted by addressing three pervasive challenges.

1. Appropriate financial and microenterprise services for very poor people.

2. Reaching very poor people.

3. Measuring poverty outreach and performance with new poverty assessment tools.

Speaker's Corners are online discussions hosted by subject matter experts, designed to help practitioners share and learn from each other. They are hosted on microLINKS (*www.microlinks.org*) and Poverty Frontiers (*www.povertyfrontiers.org*)

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Box 1. Who are the Very Poor?

The SEEP Poverty Outreach Working Group (POWG) defines very poor people as those living below the $1/day international poverty line *or* the bottom half of those people living below a national poverty line. This target group lack a stable income, are unable to accumulate assets, and remain extremely vulnerable to shocks such as health crises or natural disasters.

Using this figure, Tom Coleman estimated that 5.5 billion people are living on less than $10,000/year,[a] 4 billion on less than $4/day,[b] 2.6 billion on less than $2/day,[c] and 1 billion on less than $1/day.[d] In his words, "*While the majority of the world struggles with poverty… most are not dying by the millions every year. The Bottom Billion are.*" [e]

According to Don Sillers of USAID, the Bottom Billion is now closer to being a billion and a half people. Both USAID and the World Bank have now adopted the figure of $1.25 per day for tracking progress on reducing extreme poverty, based on the latest Purchasing Power Parity (PPP) rates for 2005. Using the new measure for the very poor, an estimated 25.7 percent of the population of developing world as a whole—1.4 billion people—lived below this line in 2005, versus the previously estimated 17.2 percent, or 931 million (using the previous poverty line of $1.08/day, based on 1993 PPP).

[a] The diversity of what is loosely termed "poverty" includes 86 percent of the global population. See Vijay Mahajan and Kamini Banga, *The 86 Percent Solution: How to Succeed in the Biggest Market Opportunity of the 21st Century* (Upper Saddle River, NJ: Wharton School Publishing, 2005).

[b] Strategies for multinational corporations to do business with the 4 billion people living in the "Bottom of the Pyramid" on less than $4/day, people which many multinationals have never done business with before.. See C.K. Prahalad, The Fortune at the Bottom of the Pyramid (Upper Saddle River, NJ: Wharton School Publishing, 2005).

[c] "A $2.00 line is the median poverty line found amongst developing countries as a whole." Shaohua Chen and Martin Ravallion, "The Developing World is Poorer than We Thought, But No Less successful in the Fight Against Poverty," Policy Research Paper No. 4703 (Washington, DC: World Bank). The number of people living on less than $2/day is virtually unchanged over the past 25 years.

[d] Paul Collier has popularized the term "Bottom Billion." See Paul Collier, *The Bottom Billion: Why the Poorest Countries are Failing and What Can be Done about It* (Oxford, UK: Oxford University Press, 2007).

[e] This quote is a paraphrase based on a five-part series on global poverty by Mark Lange in the *Christian Science Monitor* online, March 10–14, 2008, http://www.csmonitor.com/2008/0310/p09s01-coop.html?page=1 (accessed October 2008).

The Speaker's Corner involved over 100 microfinance and microenterprise specialists around the world, who shared their experiences of serving the very poor. The forum was particularly relevant, given that microfinance providers are finding it difficult to meet the legislative mandate of USAID funding that more than 50 percent of their clients be the very poor. The following pages summarize the main threads of the discussion, organized by the questions to which participants responded.

1. Appropriate financial and microenterprise services for very poor people.

What products and services do very poor people need? And in what order?

***Moderator**: Thierry van Bastelaer, Senior Director, Livelihoods Department, Save the Children*

Forum participants agreed that savings and insurance are more relevant financial services to the very poor than credit. In the words of Linda Jones, *"If clients say that savings is their number one issue, then I think that has to be respected."* Because very poor people are unable to generate a steady income or start a sustainable microenterprise, most vulnerable households are not ready to take on the opportunities and risk of credit. That, in turn, doesn't make them attractive clients for credit-only providers, which may explain why most microfinance providers—in particular those focused on sustainability—have little interest or success in reaching the Bottom Billion. *"Unless the very poor are able to generate a stable and sustainable income, they will not be ready for credit,"* noted Ajaita Shah of SKS Foundation.

As another participant noted, identification and sequencing of financial services for the very poor must take into account the situation "on the ground," and understand directly from the people who are at the center of extreme poverty what the immediate sources of poverty seem to be and how families cope. *"Financial services are not a sort of 'tool box' from which we can draw tool A, B, or C (savings credit, whatever) and use in the same way in all contexts," said* Luis Sfeir-Younis of Trickle-Up. "*[F]lexibility and a bottom-up approach, in my view, is essential to make any such 'standardized models' effective in any meaningful way."*

Discussion participants nevertheless suggested that most successful sequencings of financial services appear to start with savings—often preceded by transfers and non-financial services. Most contributors concurred on a sequence of **transfers→savings→credit** for the very poor, but differed on where microinsurance (e.g., for health, livestock, and disasters) fit in the progression. Some advocated that microinsurance precede savings and/or credit, others believed it should follow credit.

Participants concurred, however, that most insurance products remain challenging to design in a profitable way, in part because they require a completely different set of provider capacity and commercial relationships than do savings products. Lack of infrastructure and service providers in rural locations, together with product designs that do not meet the poor's needs, are some of the main challenges.

A number of organizations, including Trickle Up (TU) and SKS Foundation in India, operate programs that prepare the very poor to undertake a livelihood in addition to their current source of income—usually day labor—and then "graduate" them to the eventual use of credit. Most such programs feature crucial non-financial services, including livelihood support transfers (in the form of stipends, subsistence allowances, livestock, or direct enterprise purchases on behalf of the client), health care education and services, veterinary services, ongoing one-on-one support, and the mobilization of local supporters.

Graduation programs are largely donor dependent and the potential for their cross-subsidization by profitable MFI programs on a mass scale is unknown. Savings is generally seen as the most sustainable financial service for the very poor—particularly via the self-help group (SHG) model. As Janet Heisey of Trickle UP noted, however, it is very difficult to organize the very poor into savings groups *before* they have gained experienced in a new livelihood. Without livelihood support, most poor families will not have the confidence or ability to set aside earnings for savings—hence livelihood support can be seen as "priming the pump" for these families' entry into the realm of growth-supporting financial services.

Linda Jones commented, *"Many people are urging that credit be more related to income generation, [but] the problem is that MFIs who often provide the debt are not experts in enterprise development and long-term sustainable improvements in income."* Enterprise development (ED), she added, seeks to develop self-sustaining, locally owned systems, an approach altogether different from microfinance. Of note, full-service graduation models, such as those of Trickle Up and SKS Foundation, provide support to clients that is directly related to specific livelihoods activities.

2. Reaching very poor people. How do you design products and services to ensure that you are attracting and reaching the very poor and have an impact on their lives? How much do immediate sources of poverty affect the design of the products, or are there universal elements to their design that can be taken across countries or borders?

***Moderator**: Sue Dorsey, Executive Director, The Friendship Bridge*

As new poverty tools are emerging that are both user friendly and cost effective, more and more MFIs—both large and small—will start using these tools to measure the poverty of their clients. As effective poverty tools are tested and incorporated into mainstream MFIs, moreover, more information will become available about the poverty levels of clients, enabling MFIs to segment products and services based on client income. This data will also allow microfinance providers to eventually discern whether there is actually a trade-off between sustainability and reaching the poorest.

SKS is an example of a large MFI that has achieved scale and reached down market sustainably with targeted products and services. Other examples are

Box 2. Group Formation: The Key to Working with the Very Poor?

Several participants in the Speaker's Corner discussion noted that the success of programs for the very poor depend on supporting and strengthening groups. As Anura Widana noted, *"Group formation is the basis for working with microfinance and microenterprises with the poor. It is not possible to ensure long-term sustainability unless [an] initiative helps form/strengthen groups among the poor. What remains of many projects I have worked on [in Asia and Africa] are the groups! On the other hand, projects which did not emphasize groups have failed to sustain microfinance, income generation, and microenterprise initiatives."*

Once the very poor have had the training and support to launch a livelihood that permits them to acquire and manage an asset(s), such self-help groups (SHGs) may then become a sustainable source of credit by amassing the savings of members and lending them out to one another. But the groups must be sufficiently established to take up this new role. Successful group formation, moreover, must be preceded by social mobilization and requires expert group animators. Widana added, *"Both social mobilization and group formation are long-term processes which, more often than not, extend well beyond the life the project. Many projects do not have sufficient provisions (specialist staff and other resources) to support the two processes over the long term and, hence, at the time of project closure, groups are not yet formed or are very weak."* She argued that supporting such groups was also the best way to support training, as it ensured that any training offered would be demand-driven.

Solid group formation, moreover, allows a program to become self-replicating at far less cost than building an institution. According to Jeffrey Ashe of Oxfam America, *"When you compare the cost to the cost of creating an MFI—which may (or probably will not) be sustainable after a few years—the outside subsidy per group member [required to establish a savings group] is a small fraction of the MFI costs."* Ashe noted that the direct partner costs for facilitating training for self-help groups for the Oxfam/Freedom From Hunger Savings for Change program in Mali is $250,000. That investment, spread over three years, will train 1,000 groups with 20,000 members, at a cost of about $13 per member. Approximately 60 to 80 percent of the groups will be trained by group leaders, who receive three days of training. When the NGO team departs, this cadre of trained "replicating agents" will train new and support existing groups.

One common idea is that microfinance can eventually be expanded by building linkages between MFIs and SHGs engaged in savings. Ashe was dubious of the wisdom of building such linkages, arguing that they were more appropriate for individual lenders. *"Typically," he explained," only a handful of groups members want a loan and getting a loan puts the group at risk. The MFIs also generally require the group to deposit its savings as a guarantee, thereby greatly restricting the ability of the group to use its own fund. Finally, the MFIs typically push more money on the group than is prudent, leading to default. . . The challenge that such groups present MFIs is to develop products that complement the groups."*

BRAC, Grameen, and Fonkoze. Yet the question remains, will MFIs that reach scale and understand the different market segments they serve continue to look down market?

Nigel Biggar of Grameen Foundation observed, *"With the tools that CGAP, Grameen Foundation, Ford Foundation, and USAID are developing to measure poverty likelihoods (e.g., the Progress out of Poverty Index and Poverty Assessment Tool), MFIs are now able to have reasonable confidence about segmenting portfolios based on client poverty levels."* Both Biggar and Jan Maes of the SEEP POWG noted that very poor clients now constitute 20 to 35 percent [1] of the total portfolios of a number of self-sustaining MFIs.

Ajaita Shah of SKS Foundation noted that certain organizations are now realizing that segmentation is in fact a focal point for determining services. SKS NBFC (microfinance provider) and SKS NGO (offers a "graduation" program) decided to separate their services so that the latter could better serve the very poor population. In her view, *"Social*

1 This is based on a number of case studies within the POWG that measured poverty outreach and on a participant's reported experience with MFIs using the PPI. Nothing has been published yet.

marketing and poverty assessment tools like the PPI become interesting resources to determine whether segmentation is in fact a useful and/or important factor when determining the BEST financial tools for the ENTIRE poor population." The discussion made clear that many questions remain about market segmentation of financial products for the very poor. For example, Ajaita Shah (SKS) asked, *"Can we create multiple loan products which serve each segment's demand? For example, education loans—do they have to be very large individual loans focused on college tuition, or can they also include smaller loans focused on paying for private schooling or to pay for books etc? Who would prefer which loan? Is there a correlation between the type of loan product and the segmentation of the poor?"*

Jan Maes noted that the experience with the Poverty Outreach Working Group (POWG) case studies was that generally, a product was designed to attract poorer people, but in the end it was still a blanket product offered to both the poor and very poor. *"These approaches (whether they were focused on credit, savings or asset transfers) all managed to bring down the bell curve to include more very poor people."* Tom Coleman noted that, *"It seems the MFIs that are successful in serving 20 or 30 percent of the very poor (Bottom Billion) do this as part of their total business—perhaps with cross-subsidization and greater cost."*

Despite the support for market segmentation, Linda Jones argued that enterprise development cannot or should not focus only on people living on less than a dollar a day because such development emphasizes on communities as a whole and creating productive clusters that can be integrated into market systems. She noted that one approach that has worked well to reach the very poor (in addition to clustering) is *"embedded services, whereby producers do not pay for services, but receive them as part of the transaction."*

Zvi Galor argued that the field should face two possibilities: *"We are able to assist only a minority among the one billion, but to assist them, we should offer not only the necessary credit, but also the know-how to become entrepreneurs and offer them the ability to save. The second possibility we should face is that only a minority among the one billion would be able to benefit from credit, and they also deserve a solution. The solution consists of a policy that will create employment and income for this population, wherever they are—in rural areas and poor urban areas…As MFIs focus on reaching scale, moreover, it is important to focus not only on profitable MFIs, but on profitable clients, as well as to ensure that MFIs are careful to provide affordable and appropriate products and services to the very poor."*

3. Measuring poverty outreach and performance with new poverty assessment tools.

Moderator: *Brian Beard, The IRIS Center, University of Maryland*

Participants in the online forum agreed on the imperative of measuring the poverty levels of clients in order to ensure that microfinance providers and programs designed for the very poor are, in fact, reaching this target clientele. Given that affordable, user-friendly poverty assessment tools, such as the Progress out of Poverty Index (PPI)[2] and the Poverty Assessment Tools (PAT),[3] have only become available recently, most of the discussion centered on why measuring poverty levels was important, as experience with the new tools is only beginning to accumulate. What became clear was that measuring poverty has never been easier for microfinance institutions, despite the fact that the tools need to be used carefully (e.g., it's not a good idea to use the tools for "ex ante" client targeting). *"I think that these poverty tools, despite some of their limitations, are invaluable tools for microfinance because they strike the*

[2] This tool was developed by the Grameen Foundation. CGAP, and The Ford Foundation, working with Mark Schreiner. See www.progressoutofpoverty.org.

[3] These tools were developed by USAID through the IRIS Center of the University of Maryland (see www.povertytools.org). The poverty assessment tools (PATs), which are individualized for each country in which USAID microfinance partners work, consist of a survey and a data template. They are intended to help microfinance providers ascertain whether at least 50 percent of their clients are the very poor—a requirement of U.S. legislation. These tools should not be confused with the pre-existing CGAP Poverty Assessment Tool, a relative poverty measure. The acronym PAT, when used in this document, always refers to the USAID instrument(s).

best possible balance between accuracy and practicality, are standardized, and serve so many purposes."

"Microcredit institutions are using them more and more, not only because required to do so by USAID (which, of course, applies only to USAID partners), but also for purposes of social performance measurement (which are many)," noted Jan Maes of The SEEP Network POWG.

The discussion returned again to the question: To what extent is microcredit effective in helping the very poor, and how can poverty tools be used to improve its outreach to them? Many participants agreed that the very poor cannot benefit from loans, although Jan Maes of The SEEP POWG noted some success stories exist. The data generated by new poverty tools to date show that some MFIs are reaching significant, but lower-than-expected percentages of very poor (20–35 percent of total clients, see box 4). That is, MFIs are reaching only some of the very poor on the margins. Yet discussants agreed that it is important to identify which groups of the very poor can benefit from microfinance programs, both in order to define their needs and to prevent the provision of loans to people who can't make effective use of them.

Trickle Up (TU) uses both the PPI and the PAT to measure the poverty levels of their clients because it seeks to work exclusively with people living on less than $1 per day and to track their progress over the $1-per-day line. Given small sample sizes, however, TU has found that its results are not as reliable as hoped, giving staff only a "picture of poverty" in the aggregate. Trickle Up uses both geographic targeting and a participatory poverty-wealth ranking process for client selection and then improves on these methods if the PAT and PPI shows that a program is not serving a sufficient percentage of the very poor.

Brian Beard of IRIS pointed out that accuracy is significantly lower when using a poverty tool at the individual level, preferring not to risk excluding a deserving client by relying on that level of accuracy. Instead, simple methods like those used by Trickle Up (geographic targeting, poverty-wealth ranking) can be used to increase the number of very poor clients, with the PAT used to accurately assess outreach at the group level. Mark Schreiner of

Box 3. Why it's Important to Measure Poverty

Forum participants broadly agreed that measuring poverty allows a program (whether an MFI, a microenterprise development program, savings group program, or graduation program) to understand the income levels of their clients, giving them data which they can use to make management decisions. Understanding the real socioeconomic condition of their clients can, for example, allow programs to improve their outreach by using better targeting tools, such as geographic targeting, participatory wealth ranking, the Food Security Survey of Freedom from Hunger, etc.). As Jan Maes explained, *"If you are explicit and transparent about how poor your clients are and how you try to reach them, then you are better able to manage that outreach intentionally (supposing that outreach to the poor is part of your mission)."*

Finally, the data produced by poverty measurements is essential to identify the very poor and know if they are in fact being served and meaningfully helped. Tom Coleman argued that one of the best reasons for measuring poverty levels was to help prioritize donor and investment funding and thus make it possible to direct this funding toward organizations that are successfully serving the very poor. Coleman reminded conference participants, *"The CGAP report[a] told us that less than 10 percent of the Bottom Billion are living in Eastern Europe and Latin America, but are receiving over 80 percent of direct foreign investment in MFIs. At the same time, over 90 percent of the Bottom Billion are living in Africa and Asia, where only 10 percent of direct foreign investment is flowing."*

[a] Julie Abrams and Gautam Ivatury, "The Market for Foreign Investment in Microfinance: Opportunities and Challenges," CGAP Focus Note #30 (August 2005)

Microfinance Risk Management, however, believed that even though the accuracy level of a PAT is lower with a sample of one, individual-level poverty targeting may still be useful, depending on the purpose, alternatives, and cost/benefits of achieving a certain level of accuracy.

One of the most compelling facts discussed during this session was that according to updated Purchasing Power Parity (PPP) figures, the number

Box 4. Is Microfinance Serving the Very Poor?

Microfinance and enterprise development practitioners have always aimed to serve very poor people…but very few existing approaches, either within microfinance or enterprise development, specifically tailor their products and services to very poor people.

Jan Maes, Facilitator, The SEEP Network Poverty Outreach Working Group

Whatever may be the types of products and services, these must come from the very poor and not from what development agents would suggest. It is not only knowing what they need, but importantly, what are their inherent capacities that would help them resolve development issues. It is not just delivering the services, but enabling them to deliver the services.

Eva Benita A. Tuzon, Agrarian Reform Program, Philippines

Not all microfinance focuses on Bottom Billion people. Most doesn't! But for those who do prioritize the Bottom Billion, poverty measurement is essential to (1) identify how many Bottom Billion people are served and increase those numbers, (2) to assess which products and services work for Bottom Billion clients, (3) to rigorously measure the extent to which these clients actually benefit, and (4) to attract interested investor and donor money to those MFIs that demonstrate that they do the best job of significantly helping larger numbers of Bottom Billion people with mainstream microfinance or other alternative products and services.

We know there are significant financial incentives that drive MFIs "upscale." What kind of financial incentives can we create that will drive more effective service for larger numbers of the Bottom Billion?

Tom Coleman

The initial evidence that we're seeing is showing that MFIs using the Poverty Progress Index can target poorer clients and still maintain good levels of profitability. Some of Grameen's self-sufficient partners are serving larges shares of clients in the extreme poor category (20 to 35 percent of their portfolio). At the same time, some organizations are pushing the frontier on reaching poorer clients (e.g., Grameen Bank's beggar program, Fonkoze's CLM, and BRAC's program targeting the ultra-poor) and clarifying the nature of the trade-off between social and financial goals.

Nigel Biggar, Grameen Foundation

The poverty outreach achieved by some operationally self-sufficient MFIs within the SEEP POWG case study research is on the same order of magnitude of 20–35 percent. Nirdhan in Nepal is an interesting example here.

Jan Maes, Facilitator, The SEEP Network Poverty Outreach Working Group

The basic reason why savings-led programs have deeper outreach is that while perhaps one-fifth of villagers could productively use a loan, all need a safe, convenient, profitable place to save.

Jeffrey Ashe, Oxfam America

of very poor people in the developing world is far larger than previously estimated. The World Bank's new PPP figures, based on 2005 prices, yield an updated poverty line of $1.25 per day for the very poor and a baseline poverty line of $2.50 per day. These figures are far more accurate than the previous rates, based on 1993 PPP figures. The U.S. government and USAID are accordingly working to incorporate them into their work.

Using the new PPP figure of $1.25, Don Sillers of USAID pointed out that there are now 1.4 billion very poor people in the developing world (25.7 percent of its total population), rather than a little under the billion estimated using the 1993 PPP figure of $1.08 per day. Moreover, a total of 2.6 billion poor people are now living below the new $2.50 PPP poverty line, or 47.6 percent of the developing world's population. USAID is expected to recalibrate new and existing tools to the new very poor poverty line, as time permits. The Microcredit Summit (MCS) is tracking movement across the $1-a-day line as one of its goals. If the United Nations adopts the new World Bank extreme poverty line of $1.25 a day, MCS will adjust its line to match the updated figure for tracking the Millennium Development Goal.

Sillers also questioned whether the requirements of the U.S. legislation that governs USAID funding of microfinance providers are realistic, given that no USAID implementing partners to date have found that they are reaching more than 50 percent of the very poor. He also warned of the risk of USAID reallocating funding based on self-reported poverty levels, which would give organizations a greater incentive to misreport their results. Such inaccurate reports could, moreover, only be audited at great cost to USAID.

Recent findings about MFI poverty outreach prompted many discussants to question whether MFIs were the correct vehicle for reaching the very poor. As Jan Maes of The SEEP Network POWG said, *"There seems to be a general consensus among the (active) contributors to this forum that microcredit is not the most important product demanded by very poor people, not as important as transfers, savings, or microinsurance. So why not look among those organizations who offer these products and services, and who might be quite distinct from current USAID partners, to achieve the congressional mandate?"*

A variety of participants believed that effective approaches for reaching the very poor should be demand-driven and adapted to the local context, while taking into account the successes and best practices of other programs. Sara Pait and others argued in particular for making a distinction between rural and urban poverty, as $1 a day means something quite different depending on where a very poor person lives. Eva Benita Tuzon of the Agrarian Reform Program (Philippines) noted that development specialists need to find out from clients what products and services they need—as well as consider what is feasible—before confusing the very poor with something for which they may not be ready.

Returning to a theme of the second day's discussion, many discussants noted that there are many ways to provide what the very poor need—and that group-based approaches work best. Anura Widana, Jeff Ashe, and others, emphasized how much more effective groups are in reaching the poorest, especially when the clients have a feeling of ownership. Anura mentioned that helping the very poor create their own farmers' groups in Sri Lanka

Box 5. Reaching the Bottom Billion on a Mass Scale: Two Visions

Discussants suggested two compelling models for reaching the very poor on a mass scale.

Noting that savings-led approaches have been very successful in reaching the very poor, Jeff Ashe of Oxfam America argued that the Self-Help Group (SHG) model was the key to reaching this group from the bottom up. *"Savings-led microfinance can be as sustainable a microfinance methodology as MFIs, but through the creation of thousands of independently functioning groups rather than through the creation of institutions. It is possible, moreover, to tap into the thousands of NGOs already working in communities that can train [the very poor] even if these NGOs would be terrible candidates to manage a loan fund." In Ashe's model, cumulative global savings of self-help groups and credit union of all types would total $40 billion by 2015, with 200 million groups reaching 2 billion families in a 100 countries with 200 million members of groups and credit unions. "Instead of borrowers sending 12 billion a year in interest payments to financial institutions (30 percent x 40 billion), this 12 billion would continue to grow group funds of 10 million savings and lending groups."*

Tom Coleman proposed an alternative vision of Bottom Billion Microfinance (BBM) in which gross global MFI loan portfolios and savings reach $300 billion and $100 billion, respectively, by 2015, with $60 billion of all microfinance dedicated to serving the remaining 700 million people living in extreme poverty. Savings match programs funded by social investors help the very poor create $20 billion in savings. In Tom's vision, *"Bottom Billion Microfinance not only offers most of the features of mainstream microfinance, it also has extensive links to customized graduation programs from government and charity programs for destitute people. MFIs have many links to companion NGOs or foundations that fund enterprise development and other livelihood projects out of some of their profits…Bottom Billion Investment Funds now account for 20 percent of all Microfinance Investment Funds (MFIFs), which receive special tax breaks in all developed countries."*

proved much more sustainable than the program component that trained local individuals to provide ongoing training to local farmers. Jeff cited the example of a PACT program (WEP in Nepal) that formed self-owned groups which were still thriving on their own six years later, as well as an Oxfam/Freedom From Hunger project in Mali that is successfully reaching the very poor to help form their own small savings groups.

As Mary McVay of The SEEP Network noted, "*In considering the role of microfinance, the challenge from this perspective is to consider the broader needs. In other words, we need [to] stop [saying it's] 'not my job' on the less financially viable services and figure out whose job it is to deliver these services, help them get the resources to serve the target population, work with them in tandem to help people graduate smoothly to more financial[ly] sustainable services.*"

Box 6. Online Poverty Outreach Resources at www.microlinks.org/sc/povertyoutreach

Poverty Tools:

Poverty Assessment Tools (PATs/ USAID): www.povertytools.org

Progress out of Poverty Index (PPI/ Grameen/CGAP/Ford Foundation): www.progressoutofpoverty.org

Documents:

Group Approach to Microfinance and Poverty Reduction: Current Status, Issues, and Concerns
Anura Widana, October 2008

The Developing World is Poorer than We Thought, But No Less Successful in the Fight Against Poverty
World Bank, August 2008

Evidence of Microfinance's Contribution to Achieving the Millennium Development Goals
Freedom from Hunger, September 2006

Graduating the Poorest into Microfinance
CGAP and Ford Foundation, January 2008

Graduating the Poorest into Microfinance: Linking Safety Nets and Financial Services
CGAP, February 2006

How Can the Poor Afford Microfinance?
CGAP, January 2008

Microenterprise Results Reporting: Annual Report to Congress, Fiscal Year 2007
USAID, June 2008

Microfinance Services for Very Poor People: Promising Approaches from the Field
SEEP, July 2006

Moving the World's Poorest Families Out of Poverty: How Will Microfinance and Microenterprise Development Meet the Challenge?
SEEP, October 2008

The U.S. Law's Mandate to Reach Very Poor People: What Strategies are MFIs Developing, and What do they Mean for the Rest of the Field? — A Practitioner Survey
SEEP, July 2006

About this Speaker's Corner

Jan Maes, Thierry van Bastelaer, Sue Dorsey, and Brian Beard are members of The SEEP Network Poverty Outreach Working Group. The SEEP Network and microLINKS thank all facilitators and participants for their thoughtful contributions to the forum.

Further Resources

View resources from this Speaker's Corner at www.microlinks.org/sc/povertyoutreach and download the Poverty Outreach Progress Brief at www.seepnetwork.org.