

February 17, 2010

DPI/NGO Briefing
“Microfinance: Ending Poverty
One Loan at a Time”

Thursday, February 10, 2011
10.15 a.m. - 12:15 p.m.

1. Background Information:

In 1976 in Jobra, Bangladesh, Economics Professor Muhammad Yunus noticed the disproportionate impact that a simple \$27 loan could make to an impoverished family. Motivated to do something to address this issue and do his bit to eradicate poverty he went on to create the Grameen Bank which made small loans available to low-income clients who traditionally lacked access to banking and related services.

His work on developing micro-credit became a more important instrument in the struggle against poverty and spread beyond the borders of his native Bangladesh and eventually won him a Noble Peace Prize in recognition of his efforts “to create economic and social development from below” and helped to promote democracy and human rights.

But while micro-credit provides credit services to the poor, Microfinance offers a broader category of services to as many poor and near-poor households as possible. This gives them the opportunity to have “permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance and fund transfers”.

Microfinance is an important contributor to achieving the United Nations Millennium Development Goals (UN MDGs) in particular the goals of ending poverty and hunger, increasing universal access to education, and improving health services. Progress achieved as a result of microfinance services was highlighted in the in the 2009 UN MDG Report. Some of the successes highlighted included increased enrolment in primary education in developing nations (88 percent in 2007, up from 83 percent in 2000). According to the report, the number of deaths of children under the age of five has also declined steadily worldwide to approximately 9 million in 2007, down from 12.6 million in 1990.

Use of Microfinance services has also contributed significantly to global progress in moving closer to actually meeting the target of eradicating poverty. Success can also be seen in data from Mix Market, the number one source for financial and social performance data on microfinance institutions, which finds that the rate of return on borrowed money is 97%.

Although the number of the world’s poor people, as reported by the World Bank, has dropped from 1.3 billion to just less than one billion in the last decade, there is still much more work to be done. A recent study by the United Nations Capital Development Fund (UNCDF) has found that “Despite the rapid growth of the microfinance industry in the past ten years, it is estimated that between two and three billion people still lack access to a broad range of financial products services on a sustainable basis”.

2. Moderator; Ms. Gail Bindley - Taylr Sainte; Information Officer, NGO Relations
Department of Public Information (DPI)

3. Speakers;

Mr. John Tucker; Deputy Director of the Financial Inclusion practice area of the United Nations Capital Development Fund (UNCDF).

Dr. Ira Lieberman; Chairman and CEO of Lipam International, Inc, an advisory firm that works with Governments, international financial institutions, NGOs and the private sector in developing countries.

Speakers (cont'd):

Dr. Todd Watkins; Arthur F. Searing Professor of Economics and Director of Lehigh University's Microfinance Program

Ms. Lynne Randolph Patterson; Co - founder and Director of Pro Mujer - an international Women development and micro finance organization based in New York

4. The moderator, Ms. Gail Bindley-Taylor Sainte, welcomed everyone and gave the backgrounds of each of the speakers. She indicated that today's briefing will look at the history of microfinance, its role in alleviating poverty, what the UN and others have done in support of the poor and what NGOs, civil society and the private sector can still do to end poverty.

5. Two video clips were presented. One was a UNDP report entitled "Liberia: Microfinance". A second film by Pro Mujer entitled "Investing in Women's Dreams". It showed people there speaking of the problems they have and how small business there cope with it. They send goods to the United States for money to live on. The videos showed how women there created small business to be able to live and take care of theirs and other children. The videos also showed their schools, health clinics and a regional house that they lived in with no facilities and what they have now.

6. The first speaker, Mr. John Tucker, has twenty years experience working in microfinance/inclusive finance. Mr. Tucker recently designed a global program, Micro Lead, which was awarded a grant of 19.9 million dollars from the Bill & Melinda Gates Foundation to support the expansion of top Microfinance Institutions to Least Developed Countries.

He is the co-designer of the Global Micro-Start program which was recognized by the Consultative Group to Assist (CGAP) as being the successful model in the United Nations Development Program's (UNDP) microfinance portfolio. Mr. Tucker's current focus includes microfinance in post conflict countries such as Sierra Leone, Liberia, Timor Leste, Southern Sudan and Nepal.

Prior to joining UNCDF, Mr. Tucker worked for UNDP in Tanzania, where he was responsible microfinance programming. Mr. Tucker holds a Master's degree from John Hopkins School of Advanced Studies (SAIS) in international economics, African studies, social change and development.

7. The second speaker, Dr. Ira Lieberman, has been deeply involved in the microfinance industry since 1995. Dr. Lieberman started The Consultative Group to Assist the Poorest (CGAP) in June 1995 and managed CGAP as its CEO through June of 1999. From July 2003 through November 2004, he worked for the Open Society Institute (the Soros Foundation) to expand their microfinance activities while serving as a Senior Economic Advisor to George Soros.

He currently holds several board positions for institutions that serve the microfinance sector. These include Chairmanship of the Emergency Liquidity Fund for Latin America (ELF), a lender of last resort to Microfinance Institutions and their clients at times of natural disaster or political or economic crisis and FINTECH, a technical assistance fund focused on microfinance in Africa. Dr. Lieberman has also served in several positions for the World Bank and has published widely on microfinance. Dr. Lieberman holds a BA degree from Lehigh University, Magna Cum Laude. He also holds an MBA from Columbia University and a PHD from Oxford University.

8. The third speaker, Dr. Todd Watkins, is the author of more than 50 related publications. His research and teachings focus on the interaction of innovation, entrepreneurship, microfinance, public policy and economics. Dr. Watkins is co-editor of "Moving Beyond Storytelling: Emerging Research in Microfinance" and a forthcoming textbook "Introduction to Microfinance".

Dr. Watkins's teaching areas encompass technology entrepreneurship, new product development and microfinance innovation. He has also worked with numerous Microfinance Institutions on technology development projects.

Dr. Watkins is director of Lehigh's Baker Institute for Entrepreneurship and also runs Lehigh's microfinance field immersion study abroad program. He has been a research consultant to the Advanced Technology Program of the National Institute of Standards and Technology (NIST) in the U.S. Department of Commerce as well as the U.S. Congressional Office of Technology Assessment. He has also served as a member of a National Academies' Committee advising NASA on improving their innovation processes. Dr. Watkins holds a B.S. from the University of Rochester and his Ph.D and Masters in Public Policy from Harvard University.

9. The last speaker, Ms. Lynne Randolph Patterson, spent the first part of her career in the United States promoting educational programs for low-income families and children. She worked as a teacher and administrator in the New York City and Port Washington, Long Island public school systems.

In 1990, she moved with her family to Bolivia where she joined forces with Carmen Velasco, the co-founder of the Pro Mujer, to develop training programs for women receiving donated food. Lynne and Carmen developed an inclusive, comprehensive program based on what the women insisted were their primary needs.

The training programs in business, child development, health and family planning eventually led to the founding of Pro Mujer. Ms. Patterson holds degrees in Government (B.A., Principia College); Education (M. A., Teachers College, Columbia University); American History (M.A., New York University) and Educational Administration (Ed. D., New York University).

10. This briefing examined the role of microfinance in assisting and empowering the poor from developing countries by providing access to financial services. The history of Microfinance has evolved over the past thirty years with its greatest growth in the last decade. Each of the speakers emphasized the significance of the microfinance industry's efforts to tailor its products and services to the needs of the poor.

With this support the speakers indicated that many poor, especially women, have been able to create and sustain businesses, pay back borrowed money, and take care of the needs of their families. Another of the speakers recounted the history of microfinance from its earliest initiatives to bring micro credit to the poor, which started with the Grameen Bank in Bangladesh, to its rapid spread across the globe. The speaker stressed the importance of savings by poor families, noting that microfinance had not been able to reach the poorest of the poor but was an important tool in aiding development particularly in developing countries.

Another of the speakers focused on current research and projects completed by his university students looking at the role of product diversity and interest rates on the microfinance revolution. One of the speakers who was a NGO representative emphasized the significant impact on the work of her organization in training and educating women and through microfinance services giving them the tools and resources to power themselves.

11. Questions/Answers:

11.1 Ms. Lynne Randolph Patterson; We must avoid the problem of having the funds paid back. We must help the affected women and children. We must teach the women how to manage their finances.

11.2 Dr. Ira Lieberman; This an industry where we teach people how to help themselves. In this industry we find that poor women do everything to pay back their loans. Over in debt a complex problem. Poor people need these loans will do everything to pay back the loan.

11.3 Mr. John Tucker; We need to have regulations to cover these loans.

11.4 Dr. Ira Lieberman; India has started setting up regulations for these loans.

11.5 Mr. John Tucker; Those people and governments who have initiated the loans are looking to see what will succeed. A saving methodology is very important.

11.6 Dr. Todd Watkins; Mergers of these activities are happening.

11.7 Mr. John Tucker; IRA & NGOs will never merge with banks. Institutions have had to shift from donor to business.

11.8 Ms. Lynne Randolph Patterson; Another way is the institutions operations. Many of the clients have become roll models. Children now graduate from high school and are going to college. We must credit their mothers. Her organization now working to make their clients business more sustainable.

11.9 Dr. Todd Watkins; Many banks are using technology to help their services for their clients (i.e. cell phones, etc). Also providing micro-financing. This is an interesting component.

11.10 Mr. John Tucker; There are still na lot of work to be done on this issue. We must have financiers who can help.

11.11 Ms. Lynn Randolph Patterson; The smartest thing that was done was to hire a woman to handle the Micro-Finance program. Technology very important. Cooperation on this issue in the world has been excellent.

11.12 Ms. Lynn Randolph Patterson; Micro-Finance is covering mostly the informal sector. The biggest problem is the absence of a medium corps in the financial sector.

11.13 Ms. Lynn Randolph Patterson; The benefit of this program is great for both men and women. There is a general impact on the strengthening of a family by having both men and women involved.

*PDC George Weinstein
National UN Chairman*