



## **17<sup>th</sup> Microcredit Summit: Generation Next: Innovations in Microfinance**

**DAY 2 – September 4, 2014**

The morning plenary was entitled **Reaching the Excluded** and focused on reaching youth and people with disabilities who have specialized financial needs that should be addressed respectively by the microfinance sector. The session was moderated by Muhammad Yunus who stated that in this sector the government has a role to play and the private sector has a role to play. Examples of programs discussed:

- Jeffrey Ashe spoke about how savings groups were introduced in the mid-1980's through initiatives such as Freedom from Hunger, and now savings groups can be found in 65 countries with 9 million participants. Such groups are formed by local people in a community who commit to save a specific amount each month, and lend money to its members on a rotating basis with nominal interest charged. Savings groups are not necessarily pre-MFI clients. Sometimes MFI clients de-link from MFIs and return to self-managed groups.
- Savings groups for youth in the Dominican Republic are very successful according to Ana Rodriguez, who is a Savings Groups Facilitator at Fundacion Capital. She noted that it is easy for youth to form and organize because they learn quickly. Each group of 15-20 youth saves US\$500 per year and each group distributes it within the group and determines interest rate to be charged for loans. In Mali, the groups have 40% return on savings. The program in the Dominican Republic has shown that kids in these groups do better in school, learn budgeting, and build better social skills.
- For the agricultural sector, insurance is extremely important according to Victor Manuel Celaya del Toro, at SAGARPA (Mexico). He noted that in Mexico there is one government and three private insurance companies; the government represents only 15% of this sector.

Highlights of workshops attended:

- Technology-Enabled Financial Inclusion Solutions. The Software Group in Kenya is developing an e-kit that will include materials on: training, how to set up and operate savings groups. In Zambia a similar program is using videos for messaging.
- Microfinance as Social Business. The focus was on Prof. [Yunus' 7 principles](#) of 'social business' [developed at the World Economic Forum in Davos, January 2009, that includes: business objective to overcome poverty, financial and economic sustainability, no profit

paid out to investors.]. In line with those principles Jurgen Hammer of Grameen Credit Agricole Microfinance Foundation noted that to recuperate only the investment amount without a return is a difficult concept for investors. Rather, social business should be viewed more as a hybrid between impact investment where you get a small return and philanthropy. Agricole's Social Business Fund works with other investors offering a diversified portfolio that provides returns on investments.

The afternoon plenary on **Building Pathways out of Poverty** focused on ending extreme poverty.

- Plan International's Mariana Escobar cited Fonkoze's 'staircase out of poverty' where the extreme poor receive a stipend or cash transfer or asset transfer to get started before they can graduate to microfinance. Plan uses this model in its work in Cusco, the poorest part of Peru.
- BRAC (founded in Bangladesh in the 1970's) introduced its 'out of poor' program in 2002 as noted by Shameran Abed, Microfinance Program Manager at BRAC. The extreme poor earn \$0.60-\$0.70 a day and there are an estimated 1.2 billion people globally. Asset transfer is key to the BRAC model and they embrace several sources of income, from sanitation to schools for children. Graduation out of poverty is not a time issue; rather they always measure results of their initiatives to determine performance and results. They are committed to ending extreme poverty by 2030, and there is a sense of urgency especially in Latin America.
- Fundacion Capital, is a social enterprise, working in Latin America and Caribbean. Yves Moury, President & CEO, spoke about Fundacion's successes in Colombia using graduation models of conditional cash transfer programs combined with savings in bank accounts. They work with government to enable establishment of bank accounts and graduation programs. They expect to have some 20 million people in their program in the next few years. Scaling financial education for the poor is done digitally using computers provided to poor communities because it is efficient and inexpensive delivery system.