

EMBARGOED UNTIL NOVEMBER 3, 2003 1p.m. EST

State of the Microcredit Summit Campaign Report 2003

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Introduction

Whenever you are in doubt... apply the first test. Recall the face of the poorest and weakest man (sic) whom you may have seen, and ask yourself if the step you contemplate is going to be any use to him. Will he gain anything from it? Will it restore him to a control over his own life and destiny? True development puts those first that society puts last.

Mahatma Gandhi

By Mahatma Gandhi's definition, international development has done a poor job of putting "those first that society puts last." The global statistics are harrowing—mind-numbing for many. Nearly three times the population of Western Europe—1.2 billion people—live on less than \$1 a day. More than 100 million children of primary school age are not in school. More than 29,000 children under five die each and every day from largely preventable malnutrition and disease.

For over six years the Microcredit Summit Campaign has relentlessly pursued its goal of reaching 100 million of the world's poorest¹ families, especially the women of those families, with credit for self-employment and other financial and business services by 2005. The Summit's goal was adopted at the 1997 Microcredit Summit, held in Washington, D.C., and attended by more than 2,900 delegates from 137 countries. The Campaign has maintained a steadfast commitment to the Summit's four core themes: 1) reaching the poorest, 2) reaching and empowering women, 3) building financially self-sufficient institutions, and 4) ensuring a positive measurable impact on the lives of the clients and their families. The Microcredit Summit Campaign is a global effort to put first those whom society has put last—to restore to people control over their own lives and destinies.

As of December 31, 2002, 2,572 microcredit² institutions have reported reaching 67,606,080 clients, 41,594,778 of whom were among the poorest when they took their first loan. Of these poorest clients, 79 percent, or 37,677,080, were women. Eight hundred thirteen of these institutions submitted a 2003 Institutional Action Plan outlining their progress. Assuming five persons per family, the 41.6 million poorest clients reached by the end of 2002 affected some 208 million family members.

In order to reach 100 million poorest families by 2005, the Campaign requires a 38 percent growth rate per year from its starting point of 7.6 million poorest families at the end of 1997. The growth from 26.8 million poorest clients at the end of 2001 to 41.6 million poorest clients at the end of 2002 represents a 55 percent growth over last year. The Campaign's overall growth of 447 percent between 1997 and 2002 now averages just over 40 percent per year.

This year, the Campaign was able to verify data from 234 institutions, representing 35,837,356 poorest families or 86.2 percent of the total poorest reported. In last year's report we were able to verify the data from institutions representing 81 percent of the poorest families counted. A complete appendix of the institutions verified this year can be found on page 27.

¹The Microcredit Summit Campaign defines "poorest" as those who are in the bottom half of those living below their nation's poverty line, or any of the 1.2 billion who live on less than \$1 a day adjusted for purchasing power parity (PPP), when they started with a program. As stated in past reports, the Campaign's greatest challenge lies in bridging the gap between its commitment to reaching the poorest and the lack of a sufficient number of effective poverty measurement tools in use. Therefore, every mention of the term poorest within this report should be read within the context of this dilemma. Our work to expand awareness about and use of cost-effective poverty measurement tools is described on pages 5-15.

²For the purpose of this report, the 1997 Microcredit Summit, and the Summit's nine-year fulfillment campaign, any reference to "microcredit" refers to programs that provide credit for self-employment and other financial and business services (including savings and technical assistance) to very poor persons.

The Faces Behind the Statistics

What does reaching one of the 41.6 million poorest families mean? A look through the lens of Gandhi's question shows how the work of the Microcredit Summit Campaign and our many partners has restored to people much more control over their lives and destinies.

Bilquees Rafeeq's family is one such family. Bilquees lives with her husband and four children in Kahna, Lahore, Pakistan. Four years ago Bilquees' husband was unemployed. Bilquees recalls the bitter days when she would desperately think of ways to arrange the next meal for her children. Often, they had to go to sleep on an empty stomach. Reflecting upon those days Bilquees says, "My children would cry all night and I would be completely helpless." Bilquees and her husband would often argue with each other; domestic life was far from pleasant.

Her branch manager recalls that in 1999, when Kashf Foundation was forming a group of women to receive a loan, a majority of the members was unwilling to include Bilquees in their group. These women feared that Bilquees was too poor. They worried that she would be unable to repay the loan installments and they would have to pay for her. Bilquees proved them wrong, however, and has repaid all her loan installments on time. "I didn't want to be a burden on anyone," she says. "I knew that I had to take responsibility for my family and had to struggle to improve their lives."

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Bilquees has received four loans worth Rs. 4,000 (US\$72), Rs. 6,000 (US\$108), Rs. 10,000 (US\$180) and Rs. 20,000 (US\$361) from the Kashf Foundation. Bilquees invested this money by buying huge pots and pans for her pappur business (Poppadam is a light crispy snack that resembles crackers). Once a month her husband goes to Faisalabad to buy pappurs. She fries the pappurs at home and her husband helps her pack them. Bilquees has also hired two women who help her with the packing for two hours every day. Bilquees pays them Rs. 20 (US\$.36) per day. Bilquees says that shopkeepers from the adjoining areas come to her house every day to purchase pappurs, which they sell in their shops. According to Bilquees, her monthly profits are Rs. 5000 – 6,000 (US\$90-108).

"Kashf Foundation has helped my family to become self-sufficient," Bilquees says. "We no longer have to beg relatives and friends for money. If Kashf had not lent me money, I would have been working long hours as a laborer in some factory."

Bilquees has come a long way. She is grateful that now she can afford to send her children to school and has some savings for emergencies. "I want my children to acquire an education so they can improve their lives," Bilquees says. Currently she and her family live in a single room house for which they pay Rs. 550 (US\$10) per month in rent. In the morning this room is used to pack the pappurs and at night mats are laid out on the floor where the six members of Bilquees' family sleep. In February 2003, Bilquees and her husband purchased land in order to build a house of their own. She plans to start building her house by next year.

The Microcredit Summit was launched in an effort to multiply stories like this 100 million times, but there continues to be a number of barriers to the Campaign's success.

Removing the Barriers

Each year's *State of the Microcredit Summit Campaign Report* has stressed the challenge faced by the Campaign in disproving widely-held myths that present obstacles to our success. The following three myths have been particularly deep-rooted and critical for us to address.

Myth one—institutions cannot reach the poorest because they are too costly to identify and motivate.

Myth two—if an institution does reach the poorest, it cannot become financially self-sufficient.

Myth three—an institution that somehow reaches the very poor and becomes financially self-sufficient will only add a debt burden to the very poor.

Previous reports have labeled these myths “strongly held conventional wisdoms.” But no matter how strongly held an idea is, if it doesn't reflect reality, then it's a myth.

Refuting Myth One: Showing That the Very Poor *Can Be Reached Cost-Effectively*

Most microfinance institutions start with a commitment to alleviating poverty, and take steps to see that the very poor are reached. They might offer very small loans or operate in some of the poorest areas of their country, but frequently these steps are insufficient.

John De Wit is Managing Director of the Small Enterprise Foundation (SEF) in South Africa, the institution that developed Participatory Wealth Ranking (PWR), a cost-effective process for identifying very poor families in a village.³ De Wit tried to reach the poor by: 1) offering the clients very small loans and 2) operating in one of the poorest areas of South Africa. “But after a few years,” De Wit recalled, “we realized that [of] the people we were serving, the majority did not live below the poverty line....”

In retrospect, it was clear to De Wit why people with enough assets came for such small loans. “[They] joined,” he says, “because there's no other access to credit there except from loan sharks. They're also desperate for credit, and they have very legitimate needs. But they're coming and taking small, small loans, inappropriate for their own needs, in the hopes that one day you will give them a bigger loan.”

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He also saw why the poorest don't come forward. “The poorer people see who goes to your program,” De Wit realized, “and they just say, ‘This program is not for us; it is for those better off people.’ And then very often the wealthier people—maybe just the less poor—intimidate the poor, simply by saying, ‘This meeting is for serious people. Here we have to be serious about business. Somebody who is only selling a few vegetables is not serious about business.’ Poor people already have pretty low self-esteem, but you add a few comments like that, and they leave. So, the presence of the non-poor unfortunately did scare away the poor.”

³ With Participatory Wealth Ranking (PWR), villagers map out their entire village with the help of a facilitator and three separate groups of villagers rank each household in different categories according to their poverty. PWR, though similar to participatory rural assessment (PRA) and rapid rural appraisal (RRA), is far more accurate and reliable because in this method, each family is ranked by three separate groups of villagers and an average of the three groups is used for ranking a particular family. Then the women from the bottom groups are motivated to join the program.

Many practitioners, like SEF, have sought to reach the very poor, but without the proper tools to do so. The Microcredit Summit Campaign was launched at a time when others in the field, particularly specialists within donor agencies, embraced the myth that a program cannot reach the very poor sustainably. Clearly, if the Microcredit Summit was to reach its goal, something had to change.

To help create this change, the Microcredit Summit Campaign has become a leader in identifying and promoting the widespread implementation of cost-effective poverty targeting tools. The 1997 Summit began the process, aiming to reach 100 million of the world's *poorest* families. Core themes included: 1) reaching the poorest and 2) building financially self-sufficient institutions. Following the Summit:

- The Poverty Measurement Discussion Group was formed to identify cost-effective poverty measurement tools;
- The Poverty Measurement Toolkit was launched in 1998, which includes Participatory Wealth Ranking (PWR) and the CASHPOR House Index (CHI);⁴
- A paper was commissioned in 1999 titled "Overcoming the Obstacles to Identifying the Poorest." There was discussion of the paper in plenary sessions at global and regional meetings in Ivory Coast in 1999, Zimbabwe in 2000, and India and Mexico in 2001;
- A day-long course and a day-long village-based training was offered on PWR and CHI at those meetings;
- Two 25-minute training videos on PWR and CHI were commissioned in 2000 and 2001. The videos were distributed to more than 1,000 practitioners in Asia, Africa, and Latin America;
- Two-hour classroom sessions on PWR and CHI were organized in 2001 and 2002, reaching more than 3,000 practitioners in 75 cities in 32 countries; and
- Four-day trainings have been conducted across Asia in 2003 on the two tools with eight planned before the end of the year.

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John DeWit,
Small Enterprise Foundation

In the early years, the Microcredit Summit Campaign was scoffed at by many for assisting practitioners in reaching the poorest, for asking practitioners to report the number of poorest clients they were reaching, and for reporting those numbers when the data was weak. But the actions taken above have helped begin a sea change in attitudes and practice around the world.

⁴With the CASHPOR House Index (CHI), staff examine the houses of potential clients and assign a standard score based on the size and structure of the dwelling as well as the material used for the roof and walls. After selecting houses of those who are most likely to be the poorest, an assets test is administered to further verify the results. Both tools have been proven accurate and cost-effective by independent experts.

From Two-Hour Classroom Sessions to Four-Day Trainings

In 2003, the International Fund for Agricultural Development (IFAD) funded the Summit's Asia organizer, Dr. D.S.K. Rao, to lead four-day trainings on PWR and CHI in eight locations across Asia. As part of the first four trainings (CHI in Lucknow, India, and PWR in Yogyakarta, Indonesia, Kathmandu, Nepal, and Ratnapura, Sri Lanka) the 96 trainees were asked a series of questions to help determine each session's impact.

A resounding 94 percent said their program's mission was to reach the very poor. Seventy-six percent of that group said their institutions had a poverty measurement tool, but of those, only 28 percent thought their tool was accurate and reliable and only 27 percent thought the tool their institution used was cost-effective. By contrast, 90 percent of those participating in the trainings said that CHI and PWR were accurate, reliable, and cost-effective and 88 percent of all trainees felt that their institutions should adopt the tool they studied.

Months after the training in Indonesia, Tri Budiardjo, an Indonesian practitioner working for Christian Children's Fund (CCF), wrote Dr. Rao:

CCF is very keen and serious about PWR as it helps us to be truthful to our mission of reaching the poorest for the well-being of the children. Haryono and I facilitated PWR practice in a number of projects (5 so far), with the view to integrate PWR into our project life cycle and system. If that is successful, we will spread PWR effectively to 30 Districts of 8 Provinces in Indonesia....

It works very well, even in peri-urban and urban slum areas. My intention is to translate the report from the field for you with an expectation that CCF is recognized to be able to conduct training on PWR in Indonesia.

A demand for training-of-trainers courses has emerged from all of the trainings. Mukunda Bahadur Bista, Executive Director of the Center for Sustainable Development (CSD) in Nepal wrote:

Some of the NGOs/MFIs who participated in the last PWR have informed me that they have already implemented this model for their program and the result has been excellent.

A resounding 94 percent said their program's mission was to reach the very poor. Seventy-six percent of that group said their institutions had a poverty assessment tool, but of those, only 28 percent thought their tool was accurate and reliable and only 27 percent thought the tool their institution used was cost-effective. By contrast, 90 percent of those participating in the trainings said that CHI and PWR were accurate, reliable, and cost-effective.

It is exciting to hear about the progress of [organizing a training-of-trainer program on PWR.]....I would request you to include five participants from Nepal including at least two from CSD. I am proposing this because any MFI needs to take a lead to expand this PWR campaign.

Response to the CHI training in India was equally strong. CARE India has implemented Credit and Savings for Household Enterprises (CASHE), a microfinance project being implemented in four Indian states through NGO partners. After the initial training, in which two partners and two CARE staff participated, Mr. R. Devaprakash of CARE wrote:

Quite enthralled by the response from our CASHE participants, wondering whether we can [move] forward on this. This time we may require in-company programs for CASHE partners and staff exclusive[ly]. Looking for at least two such programs in the place of your choice....

Clearly, the very poor *can* be reached cost effectively. The tools exist, their use is spreading, and institutions using them are reaching financial self-sufficiency.

Refuting Myth Two: Showing You *Can* Reach the Poorest and Build Financially Self-Sufficient Institutions

The last two *State of the Microcredit Summit Campaign Reports* quoted Consultative Group to Assist the Poor (CGAP) CEO Elizabeth Littlefield challenging the presumed incompatibility between reaching the poorest and financial self-sufficiency. We quote her again because the 29 donor agencies that make up CGAP's membership could play a key role in stamping out this insidious myth, which, if allowed to persist, could further marginalize hundreds of millions of very poor families over the next two decades.

We have really exciting new evidence to support the paper's case from the *MicroBanking Bulletin*....Of the institutions that report...62 of them are financially sustainable. Of those 62, 18 reach the poorest people,⁵ ...[and they] are the most profitable, ... and if you dig beneath that—if you look at costs per borrower, and efficiency indicators that neutralize the effect of small loan sizes, you will see that the low-end programs are actually most efficient of all the categories. They are reaching higher efficiency, to a higher productivity with an average of almost 200 client borrowers per staff versus 140 to 70 for the other categories. This is really great support for the paper's case and for debunking the myth that reaching the poorest is not necessarily as cost effective...."

Ten months later, in September 2003, Microfinance Information Exchange (MIX) Director Didier Thys, provided the Summit with an update. The MIX publishes the *MicroBanking Bulletin*.

Of the 124 microfinance institutions reporting to the *MicroBanking Bulletin* (MBB), 66 were financially self-sufficient. Of those 66, 18 represented institutions who work with very poor populations, or what the MBB characterizes as the "low end" of the market. These 18 institutions had a higher average financial self-sufficiency, adjusted return on assets, and adjusted return on equity, than the overall averages for the 66 institutions combined. In other words, the low-end institutions out-performed the overall sample of institutions reporting to the bulletin. It is possible to reach the very poor and be financially self-sufficient.

What is also interesting to note, is that these 18 institutions represented only 6 percent of the total assets under management for the 66 financially self-sufficient institutions. With 6 percent of the assets, they were able to reach 24 percent of the total clients for the same group. The same trend also held up when looking at all 124 institutions reporting to the MBB (financially self-sufficient and those who had not reached financial self-sufficiency). With 8 percent of the assets under management, the organizations focused on the low end of the market were serving 33 percent of the total clients.

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Didier Thys,
Director, The MIX

⁵It must be noted that the *MicroBanking Bulletin's* definition of institutions reaching the low-end of the population is "measured by an average loan size of less than 20 percent of GNP per capita or less than US\$150." These measurements are clearly inferior to the tools described above. For example, the *Bulletin* includes Compartamos of Mexico in the group as reaching the low end of the population, but CGAP's more rigorous Poverty Assessment Tool found that 50 percent of Compartamos' entering clients were in the upper third of the community and 75 percent of entering clients were in the upper two-thirds of the community.

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The Microcredit Summit has been diligent in its commitment to strong financial performance. The Campaign's last five major meetings (1999-2002) and the three on the horizon (2004-2005) offered or will offer day-long courses on building a financially self-sufficient institution. Of the papers discussed in plenary session (1999-2005), the first paper discussed has been and will be the paper that addresses the need for strong financial performance coupled with a clear poverty focus. The Campaign has remained true to its third core theme of building financially self-sufficient institutions.

Refuting Myth Three: Showing That Microfinance *Can* Help the Very Poor Leave Poverty

If very poor families can be reached, and the institutions doing so can become financially self-sufficient, then it is crucial to go the next step and expose the myth that microfinance "only adds a debt burden to the very poor."

Shahidur Khandker of The World Bank has addressed this myth in the most in-depth study ever done on microfinance, spanning the 13 years from 1990-2003. Khandker studied BRAC, Grameen Bank, and RD-12, three MFIs in Bangladesh. His first fieldwork was conducted in 1990-1991 with findings published by Oxford University Press in 1998 followed by more field research in 1998-1999 and draft findings appearing in 2002 and 2003. Khandker found that:

- 1) As much as 5 percent of program-participating households should be able to lift their families out of poverty every year by borrowing from a microcredit program,
- 2) Microfinance helps reduce extreme poverty much more than moderate poverty, and
- 3) The welfare impact of microfinance is also positive for all households, including non-participants, indicating that microfinance programs are helping the poor beyond income redistribution, with income growth. Programs have spillover effects in local economies, thereby increasing local village welfare.

It cannot be stated any more plainly or urgently than this: When myth three dies, more children will live.

These are not the only such findings, only the most rigorous. It cannot be stated any more plainly or urgently than this: When myth three dies, more children will live.

Missing in Action: Recognizing the Contribution of Sustainable Microfinance for the Very Poor to Achieving the Millennium Development Goals

If the very poor can be reached, if the institutions reaching them can become self-sufficient, and if very poor clients are moving out of poverty, then why is sustainable microfinance for the very poor not more than a footnote in the policies and practices of major development institutions? This is a question that demands an answer, especially with the deadline for achieving the Millennium Development Goals⁶ (MDGs) just 12 years away.

⁶ The Millennium Development Goals were agreed to at the United Nations Millennium Summit in 2000 attended by more than 180 heads of state and government. The goals include cutting absolute poverty in half and reducing by two-thirds the mortality rate of children under five by 2015.

At the Microcredit Summit +5, during the plenary discussion of the paper "Ensuring Impact," CGAP's Littlefield said:

This excellent paper really could not have come at a more crucial time for us. Donor interest in microfinance appears to be suddenly and curiously waning. Perhaps it is just a change in fashion, but we learned in the CGAP donor community that microfinance is increasingly viewed as being kind of a specialized niche off in the corner of the development industry, too micro to be relevant to the broader financial sector reform goals....

We're asking the wrong question. We should *not* be asking "is microfinance relevant to the broader financial sector reform goals," although it can be an important question. Instead, we should be asking "is microfinance relevant to the poverty reduction goals?" If you were to ask World Bank President James D. Wolfensohn or United Nations Development Program (UNDP) Administrator Mark Malloch Brown for the primary objective of their respective institutions, they would answer "poverty reduction." If you were to ask them which of the MDGs is the most important, they would answer "cutting absolute poverty in half by 2015," the first of the MDGs.

If you were to enquire whether sustainable microfinance for the very poor is a priority intervention for The World Bank or UNDP based on the percent of funds spent on the microfinance sector, the answer would have to be no. This is because less than one percent of World Bank and UNDP funds are spent on microfinance. That percentage would be dramatically lower if you were to focus on microfinance spending that reached those who were living on less than \$1 a day when they started. Why is this so?

If you were to enquire whether sustainable microfinance was a priority intervention for The World Bank or UNDP based on the percent of funds spent on the microfinance sector, the answer would have to be no. This is because less than one percent of World Bank and UNDP funds are spent on microfinance.

Breakthrough and Backlash

To answer that question we must look back to August 2003, when CGAP launched a web discussion⁷ of the new U.S. law on Third World microenterprise⁸ and its implication for other donors. Two months earlier, President Bush had signed into law legislation that would better ensure Congress' long-standing commitment to dedicate half of USAID microenterprise funds to families who are very poor when they start with the program. The legislation, which passed by unanimous consent in both the House of Representatives and Senate, called for new tools to be developed and certified because the measurement currently used, average loan size, was seen as unreliable in determining whether a family started at below \$1 a day.

The legislation requires: 1) the Administrator of USAID to work with others to develop, by October 2004, at least two *cost-effective* tools that would determine the number of clients who enter a microenterprise program at below US\$1 a day; 2) "with reasonable exceptions" all institutions receiving USAID microenterprise funds to use one of these tools by October 2005; and 3) the Administrator to submit an annual report to Congress beginning in 2006, that outlines the percent of funds going to clients who start at below \$1 a day based on use of the newly certified tools.

With the U.S. government and U.S.-based MFIs working overseas engaged in implementing the new law, the CGAP debate posed the question, "Will new government mandates increase the industry's poverty focus or tie its hands?" The first four statements were from CGAP Executive Committee members, all of whom were opposed to the new law and its adoption by other aid agencies. Below is a summary of some of the comments and some reflections

⁷ The entire discussion can be found on CGAP's Microfinance Gateway: http://www.microfinancegateway.org/highlight_usaid.htm

⁸ In U.S. law, microfinance and microcredit are referred to as microenterprise.

from the Campaign. Leaders in the discussion are quoted by name in order to promote frank debate and indicate that within our community we need to understand serious concerns and how to answer them.

Some of the statements promulgate the myth refuted above that identifying the poorest is too costly.

David Stanton: David Stanton, the Chief Enterprise Development Advisor for the British Department for International Development (DFID) said, "Poverty impact is essential, and measurement of that impact is important. But formulaic or prescriptive approaches to target the poorest, writ in law, will massively increase service delivery costs."

Microcredit Summit (MCS): The tools being developed are to be cost-effective. How will they "massively increase service delivery costs" if they are truly cost-effective? One also has to ask that if "poverty impact is essential," how will we know the impact if we don't have baseline data with which to compare progress or the lack thereof?

Nimal Fernando: Nimal Fernando, the Lead Rural Finance Specialist at the Asian Development Bank said, "So the bottom line is....the best way to reach the bottom 50 percent below the poverty line is to allow retail institutions to adopt business models that would enable sustainable growth."

MCS: What is it about business and business models, or development itself, that ensures that the very poor are reached? Don't many assume it is bad business to work with the very poor? Certainly Damian von Stauffenberg does. Von Stauffenberg, the CEO of MicroRate, a microfinance rating agency working with MFIs in Latin America and Africa, was quite clear in his views.

Damian Von Stauffenberg: "...Microfinance isn't at its best when applied to the truly very poor," Von Stauffenberg asserted. "...The truly poor must consume any loan they obtain, otherwise they will starve. Microfinance works above the level of the truly poor. A borrower must be engaged in a productive activity and a loan must be able to significantly boost that activity—otherwise the loan can't be repaid. These conditions prevail a notch above the level of the most grinding poverty."

MCS: But we must remember Khandker's exhaustive research which found that microfinance helps reduce extreme poverty much more than moderate poverty.

Damian Von Stauffenberg: "...MFIs catering to the truly poor, as defined by the law," von Stauffenberg continues, "probably aren't viable."

MCS: But the law defines the truly poor as those living on less than \$1 a day. CGAP's research of SHARE India found that 72.5 percent of entering clients lived on less than \$1 a day and a rating done by the rating agency M-CRIL found that SHARE was 100 percent financially self-sufficient. In fact, CGAP found that 16 percent of entering clients were in the bottom 10 percent of the community, 16 percent were in the next decile, and 20 percent in the next decile. This means that more than 50 percent of entering clients were in the bottom 30 percent of the community.

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Carlos Labarthe: Another CGAP Executive Committee member in opposition to the new law and its adoption by other donors was Carlos Labarthe, Co-Executive Director of Financiera Compartamos, Mexico. Labarthe said, "...to

discriminate the clientele based on levels of poverty would be a mistake. To do so would be akin to opening a store with a maxim of not selling products to those who are too rich.”

MCS: But hasn't the reverse been one of development's failures over the years, a practice of assuming the poorest can't be served because they are *too poor*? All too often hospitals have been built instead of health posts, universities instead of primary schools, and better off entrepreneurs have been helped instead rather than the poorest entrepreneurs. This helps explain why 29,000 children die each day from largely preventable malnutrition and disease; why more than 100 million children of primary school age are not in school; and why most of the 1.2 billion people now living on less than \$1 a day are not rising out of poverty.

“The legislation was quite explicit in mandating both deep outreach for some (not all) U.S. government-supported microfinance programs and full financial sustainability for all. It is curious that the sustainability mandate, and the means for verifying compliance with it, are not mentioned in the current complaints about burdensome and distorting legislation.”

Chris Dunford, Freedom from Hunger

Anton Simanowitz, Program Manager of Imp-Act responded in support of the new law and addressed the question: “How do we place working with the poorest at the center of development?” Simanowitz wrote,

There are a number of factors that tend towards the exclusion of very poor clients,

and mean that it is unlikely that market forces by themselves will lead to effective outreach to the very poor. These factors include:

- 1) Institutional: Most [MFIs] tend to work in accessible areas and with easy to reach clients. Few work in remote areas, with people who do not make an effort to come forward to join the MFI, or with people without previous business experience.
- 2) Product design: MFIs often 'listen to clients' but fail to hear the voices of the most marginalized. Services are therefore often inappropriate for the very poor.
- 3) MFI staff: Better-off clients are often seen as less problematic by staff who are pressured to achieve high outputs of financial performance.
- 4) Client self-perception: Many very poor clients exclude themselves due to lack of confidence and have to be actively motivated to participate.
- 5) Exclusion by other clients: Particularly in group-based microfinance, better-off clients may not want the perceived 'burden' of including very poor clients.
- 6) Client exit: Where services are inappropriate, or staff [or] other clients are hostile, there may be high rates of 'churning' of very poor clients.

Also responding in support of the new law, Chris Dunford, President of Freedom from Hunger wrote, “the legislation was quite explicit in mandating both deep outreach for some (not all) U.S. government-supported microfinance programs and full financial sustainability for all. It is curious that the sustainability mandate, and the means for verifying compliance with it, are not mentioned in the current complaints about burdensome and distorting legislation. The critics of the deep outreach mandate apparently agree with the legislated answers to questions about sustainability.”

MIX Director Didier Thys concluded, "Is there a cost to getting to know your clients? Yes. Is investing in that knowledge bad for business? Absolutely not! Any MFI who does not believe that has a range of other investors who will offer different constraints and expectations. That's the nature of the market for sourcing funds (both publicly and privately). If you need subsidy and can provide some informed analysis about the wealth of your clients, go to USAID. If you don't feel knowing the wealth of your clients is worth the effort, go somewhere else. There are plenty of other investors who won't care just as long as you give them a nice client story every once in a while and put a nice picture of a poor person on your website."

This debate goes not only to the question, "Where is microfinance headed?" but also to the question "where is all of development headed?" With the new U.S. law and an initiative described below, political leaders are beginning to take a stand.

Political Support for Reaching the Poorest

Growing political support for reaching the poorest is found in a letter from Parliamentarians in the United Kingdom, Japan, the United States, Canada, Australia, and Mexico to the heads of The World Bank, the Asian, African, and Inter-American Development Banks, and UNDP. As of October 15, 2003, these letters had been signed by 180 British parliamentarians, 111 Japanese Diet Members, 59 U.S. Congresspersons, 62 Canadian Parliamentarians, 105 members of the Australian Parliament, and 95 Mexican Delegates.

Slated for delivery in late October 2003, the parliamentarians begin:

We are encouraged by the support you have given to the fulfillment of the Millennium Development Goals (MDGs) agreed to by more than 180 heads of state and government at the Millennium Summit in September 2000. We believe that the achievement of these goals, which include empowering women and cutting absolute poverty in half between 1990 and 2015, is crucial to building a safer and more equitable world—and will show our constituents that development programs are truly making a difference.

What prompts us to write is a concern that sustainable microfinance for the very poor has not received sufficient priority in your policies and practice aimed at cutting absolute poverty in half by 2015, the most crucial—and most difficult—of the MDGs. As important as it is to support well-designed health, education, and good governance programs, these interventions alone will not ensure that some 600 million people move out of poverty.

The parliamentarians ask the heads of these influential institutions for the following:

- 1) **Increased funding for microenterprise:** We urge you to make substantial increases in the proportion of your institutions' lending and grants that go to microenterprise and actually reach clients. For example, The World Bank estimates that an average of \$168 million in funding, less than one percent of Bank resources approved annually, is approved each year for microenterprise. We believe resources devoted to microenterprise should at least be doubled.
- 2) **At least 50 percent of funds reaching the poorest:** By December 31, 2004, we would like to see your institutions make the commitment to having at least 50 percent of your microfinance funds reach clients who are below US\$1 a day when they start with a program.

"What prompts us to write is a concern that sustainable microfinance for the very poor has not received sufficient priority in your policies and practice aimed at cutting absolute poverty in half by 2015, the most crucial—and most difficult—of the MDGs. As important as it is to support well-designed health, education, and good governance programs, these interventions alone will not ensure that some 600 million people move out of poverty."

Letter from more than 600 Parliamentarians to Heads of the World Bank, regional Development Banks and UNDP

- 3) **Use of cost-effective poverty measurement tools to ensure meeting the target:** By December 31, 2005, the microenterprise institutions should be required to use *cost-effective* poverty measurement tools that can determine which families start below US\$1 a day and use the same or similar tools to show which families have moved above US\$1 a day.
- 4) **An annual reporting of results:** By December 31, 2006, we would urge your institutions to report, on an annual basis, the amount of funds provided for microenterprise and the percentage of those funds that reach families who begin with a program at below US\$1 a day.

The letter continues:

There is a very powerful process underway in the United States, which is already creating a positive sea change among U.S.-based microfinance networks. We believe this process can have a profound impact on the items above.**We believe your institutions should be a vital part of this process and urge you to adopt a similar procedure."**

Next Steps

There is indeed a powerful process underway because of the new U.S. law. For at least a year, tools have been developed and tested for possible certification by USAID, and the results are hoped to provide a leap forward for the microfinance field, for achievement of the Millennium Development Poverty Goal, and for the very poor themselves. The Microcredit Summit has asked some of those most actively involved in the testing of new tools to provide a short description of their work, reflected below:

Opportunity International is currently developing and field-testing a series of poverty assessment indicators in Asia, Africa, Latin America and Eastern Europe, with emphasis on establishing a common set of indicators that can be used to compare the poverty-targeting performance of partners on a global basis. Some of the key indicators being tested include household income, housing status, access to utilities, education level, and rural vs. urban status. The goal is to determine whether a combination of alternative, low-cost proxies correlate with national poverty line data, as well as how those proxies compare against current poverty measures such as average loan size, average initial loan size and outstanding loan balance. Also, as part of a larger client monitoring initiative, special emphasis is being placed on developing guidelines for management decision-making in response to poverty assessment data.

Over the last two years **FINCA International** has completed poverty assessments in 18 of its 24 country microfinance programs. Data are gathered by summer research interns who use hand-held PDAs to conduct simple 15-minute interviews with a sample of new, current, former, and non-clients. In addition to monitoring daily per-capita expenditures of respondent households, the methodology tracks school attendance, percentage of loan applied to self-employment business, frequency of re-supply, and respondent ranking of their household's food security, health, housing, education, empowerment, social capital, and overall satisfaction with the program. While the PDA-based methodology has heretofore been implemented as a parallel system to FINCA's management information system (MIS) for portfolio monitoring,

The parliamentarians ask the heads of these influential institutions for:

- 1) **Increased funding for microenterprises**
- 2) **At least 50 percent of funds reaching the poorest**
- 3) **Use of cost-effective poverty measurement tools to ensure meeting the target, and**
- 4) **An annual reporting of results**

by year's end we hope to have incorporated a shortened list of the PDA variables into the MIS to permit expanded routine loan cycle tracking of individual clients.

The **ACCION** Poverty Assessment Tool uses household-level income and expenditure data to assess the poverty level of microfinance clients in comparison with national and international poverty lines and the poverty level of the national and regional populations. It relies on data that MFIs collect as part of the standard credit application process and is maintained in its MIS. The tool also contributes to overall market research by allowing institutions to examine the poverty, demographic, and socioeconomic profiles of their borrowers. Finally, the tool allows MFIs to implement client poverty monitoring into a regular report that is automatically generated by the MFI's MIS. Therefore, the tool enables the MFI to incorporate regular poverty monitoring into its management decision-making process in a cost-effective manner and ultimately helps to improve outreach to poorer clients.

Freedom from Hunger...has become aware of the potential to use food security scales to classify microfinance, business development services (BDS) and other development service clients as very poor, better-off poor or not poor in terms of their food insecurity. This United States Department of Agriculture (USDA)-developed method promises to discriminate the very poor (who suffer chronic food insecurity) from the not-so-poor (who are only occasionally, if ever, food insecure). Freedom from Hunger proposes to compare this discriminatory ability with that of the more formal and much more expensive methods for measuring poverty in terms of consumption expenditure (e.g., the Living Standard Measurement Survey or LSMS). In short, will the two methods correlate reasonably well in their classification of people as very poor, better-off poor or not poor? If they do, and in a wide variety of countries, economies and ecologies, then the food security scaling technique would offer a low-cost alternative to LSMS-type surveys for the specific purpose of determining the percentage of a clientele that is very poor vs. better off.

LSMS-type surveys are the method of choice for determining whether people are living above or below the international poverty line (dollar a day PPP). These surveys are also used to determine a person's consumption level in relation to the median for people living below the national poverty line. Either this international or national definition of poverty must be used in USAID-supported measurements of microenterprise development (MED) client poverty levels. The task facing the microfinance community (and the "poverty reduction" community more generally) is to find low-cost methods that approximate the discriminatory ability of the LSMS-type surveys and that can be reasonably used regularly by practitioners themselves. Freedom from Hunger believes that food security scaling is likely to be one of those methods.

Avoiding a Major Step Backward: Making the New Law Matter

The new U.S. law is intended to develop and implement cost-effective ways of bringing greater transparency to Congress' long-standing commitment to dedicating half of U.S. microenterprise assistance to those who start below \$1 a day. The impetus for the new law was to replace average loan size, the previous measurement used, which was woefully inaccurate. The research described above is an impressive start. It would be a major step backward were USAID to certify indicators such average loan size, loan size as a percentage of GDP or poverty line, average initial loan size, loan repayment size, and/or outstanding loan balance—indicators that tell you more about the institution making the loan than about the poverty level of the client.

Survey Methodology

Each year the Microcredit Summit Campaign goes through a process of data collection and verification leading to publication of *The State of the Microcredit Summit Campaign Report*. The process includes: 1) circulating Institutional Action Plans (IAPs) to thousands of practitioners with a request for submission of most recent data; 2) a phone campaign to the largest institutions in the Campaign to encourage submission; 3) a verification process seeking third-party corroboration of the data submitted by the largest MFIs; 4) data compilation and analysis; and 5) the writing of the report. For six years now this process has produced the most complete primary source collection of data from microfinance institutions available.

In most cases the data presented in this report is from individual institutions. We have tried to avoid collecting and including data from network institutions to prevent double counting. Network institutions have played a valuable role, however, in facilitating data collection from their affiliates. This year we are especially grateful to the following institutions for their active support of this data collection process: Development International Desjardin, FINCA, CARE, Catholic Relief Services, World Vision International, Grameen Trust, Pride Africa, Red Financiera Rural, Opportunity International, Freedom from Hunger, Katalysis, World Relief, and Save the Children. We are also

It would be a major step backward were USAID to certify indicators such as average loan size, loan size as a percentage of GDP or poverty line, average initial loan size, loan repayment size, and/or outstanding loan balance—indicators that tell you more about the institution making the loan than the poverty level of the client.

indebted to the dozens of institutions in Asia and Africa that host umbrella meetings with our regional staff. Those meetings play a pivotal role in Action Plan collection.

As of October 1, 2003, 3,632 institutions from 133 countries were members of the Microcredit Summit Council of Practitioners, an increase of more than 428 in the last 12 months. In 2003, 813 practitioner institutions submitted an Action Plan, 386 of whom had previously never done so. Since we began collecting Action

Plans, the Microcredit Summit Campaign has received plans from 2,572 practitioner institutions.

The Action Plan asks for the following data: 1) total number of active clients (clients with a current loan); 2) total number of active clients who were among the poorest when they received their first loan; 3) what poverty measurement tool was used, if any, to determine the number of poorest clients? 4) percentage of poorest clients who were women; 5) average size of first loan; 6) total number of active savers; 7) average savings per saver; 8) percentage of poorest clients who have crossed the poverty line; 9) what impact measurement tool was used to determine the number of clients who were very poor when they took their first loan and have now crossed the poverty line? 10) financial or business development services offered, if any; and 11) percent financial self-sufficiency an institution has reached.

In the 2003 IAP, on which this report is based, practitioners were asked to provide the above data for December 31, 2001 (actual), December 31, 2002 (actual), December 31, 2003 (proposed) and December 31, 2005 (proposed).

In our report each year, we emphasize that this data is self-reported. Over four of the last five years, however, Microcredit Summit Campaign staff have reviewed all Practitioner IAPs received. Any institution with questionable data was asked to clarify its responses, and if the questions were not resolved, the questionable data was not included in our report. In 2000, we took the further step of independently verifying aspects of our data. The largest institutions in Africa, Asia, and Latin America provide us with names of donor agencies, research organizations, networks, or other institutions that could verify the number of poorest clients each institution reported. A letter is sent to potential verifiers asking them to confirm the data submitted by a given MFI. The letter says, "By confirm, we mean that you have visited the program, met with senior officials, reviewed aspects of the operation, they have provided you with numbers, and you believe that the institution and the numbers listed below are reliable and credible. While we understand that no one can provide absolute certainty, we would appreciate your participation in this process."

In the 2000 State of the Campaign Report, 78 institutions, representing two-thirds of the poorest clients reported, had their data verified by a third party. In 2001, 138 institutions, or two-thirds of the poorest clients reported that year, had their data verified. In the 2002 report 211 institutions, representing 81 percent of the poorest clients reported, had their data verified.

Clients Reached

By December 31, 2002, 2,572 microcredit institutions⁹ reported reaching 67,606,080 clients with a current loan, 41,594,778 of whom were among the poorest (in the bottom half of those living below their country's poverty line

or below \$1 a day) when they started with the program. Of these poorest clients, 79 percent, or 32,677,080, were women.

This year, we were able to verify the data of 234 institutions, representing 35,837,356 poorest families or 86.2 percent of the total poorest clients reported. A complete listing of these institutions can be found on page 27.

This year, we were able to verify the data of 234 institutions, representing 35,837,356 poorest families or 86.2 percent of the total poorest clients reported.

The growth from 26.8 million poorest clients at the end of 2001 to 41.6 million poorest clients at the end of 2002 represents a 55 percent growth rate over the year. The growth from 7.6 million poorest at the end of 1997 to 41.6 million poorest at the end of 2002 represents a growth of 447 percent during that five-year period. In order to reach 100 million poorest by 2005, the Campaign needs to sustain a growth rate of 38 percent per year. Currently, we average just over 40 percent per year.

Growth Resulting from Institutions Reporting for the First Time and an Expanded Definition of Poorest

Each year the Campaign makes a concerted effort to include institutions that had not yet reported to the Campaign. In 2000, 22 percent of the growth came from institutions reporting for the first time. In 2001, 57.8 percent of the growth came from institutions reporting for the first time, although a significant portion of that growth came from the National Bank for Agriculture and Rural Development (NABARD), which had expanded dramatically over the previous four years.¹⁰ In this year's report, covering 2002 data, 33.8 percent of growth came from institutions reporting for the first time.

Another factor contributing to growth was an expanded definition of poorest. After extensive deliberation, the Microcredit Summit Campaign Executive Committee agreed to expand the Summit's definition of "poorest," beginning with the Action Plans submitted in 2003. The expanded definition includes the original group (the poorest are the bottom half of those below their nation's poverty line) and now includes any of the 240 million families who comprise the 1.2 billion people living in absolute poverty, on less than \$1 a day adjusted for purchasing power parity (PPP).

The Microcredit Summit adopted the original "bottom half below poverty" definition because it: 1) had already been agreed to by a respected group of leaders in the field of microfinance, CGAP's Policy Advisory Group; 2) allowed an

⁹ Of these 2,572 institutions, 813, representing 92 percent of the poorest clients reported, sent in their 2003 Institutional Action Plans. The 1,759 remaining institutions sent us their data in previous years, and we have included those numbers in this report.

¹⁰ The National Bank for Agriculture and Rural Development (NABARD) was one of two very large institutions included in last year's report for the first time. NABARD is the apex development bank in India for agriculture and rural development. NABARD has played a central role during the last decade in pioneering the self help group (SHG) movement in India, under which poor and poorest women organize themselves into groups. The SHG members save and lend among themselves and also manage the affairs of their groups. The matured SHGs are linked to the formal banking system, which has an extensive branch network throughout the country, to bolster their resources. Although last year was the first time NABARD's clients were included in the State of the Microcredit Summit Campaign report, its large number of clients (total and poorest) is the result of dramatic growth within the NABARD program itself.

As of March, year	1997	1998	1999	2000	2001	2002	2003
Total Number of Clients	146,166	243,389	560,915	1,608,965	3,992,331	7,837,000	10,760,400
Number Poorest Clients	58,613	97,599	224,927	645,195	1,600,925	3,130,000	8,608,300

Some of NABARD's partners (banks and NGOs) are also members of the Microcredit Summit Campaign and submit their Institutional Action Plans. In order to avoid double counting, figures reported by these agencies have been subtracted from the figures of NABARD, in order to arrive at the total clients, poorest clients and poorest women clients. After these calculations, NABARD accounted for 9,146,340 total clients, 7,317,055 of whom were among the poorest when they started with the program.

institution to measure itself against poverty indicators established within its own country rather than comparing itself with countries on other continents; and 3) included the poorest in relatively well-off countries such as Malaysia and Costa Rica.

The definition and its implementation, however, had several very crucial weaknesses. It excluded tens of millions of very poor families in the world's poorest countries who were in the upper half below poverty. For example, it included the bottom half below the nation's poverty line in countries such as Niger, Haiti, and India, but excluded the upper half below the poverty line in those same countries even though many of these families live on less than \$1 a day PPP. These families in the upper half below the poverty line in a country such as Niger were poorer than families in the bottom half below poverty in a more prosperous country such as Malaysia.

Another weakness is in the current implementation. The best tools currently available—Participatory Wealth Ranking, the CASHPOR House Index, and CGAP's more rigorous Poverty Assessment Tool—all measure relative poverty; they identify the poorest families in a neighborhood or village. These tools tell you which clients are in the bottom third of the community, but will not tell you where those clients stand in relation to absolute poverty. Because of the new U.S. law, the microfinance field is now developing cost-effective tools that measure absolute poverty, identifying those families living on less than \$1 a day.

The practical effect of the expanded definition of the poorest has been to include more families while still focusing on those living in absolute poverty. These are the families in the developing world whose children die at the rate of some 29,000 a day. These are the families whose children comprise the more than 100 million primary school aged children who have never been to school. Expanding the definition of poorest and developing these new tools will fully align the Campaign with the global commitment to cut absolute poverty in half by 2015.

Of the 50 largest institutions reporting this year, representing 80 percent of the poorest families counted, seven reported new clients resulting from the expanded definition. These institutions reported 5,244,067 new clients as a result of the expanded definition, or 13 percent of the total 41.6 million poorest clients reported as of December 31, 2002. Twelve percent of the above-mentioned 13 percent comes from NABARD (8.8%), Bank Rakyat Indonesia (BRI) (2.2%), and Vietnam Bank for the Poor (1%). These three institutions reported 4,988,611 new clients as a result of the new below \$1 a day definition or 33.8 percent of the growth in poorest clients reported this year.

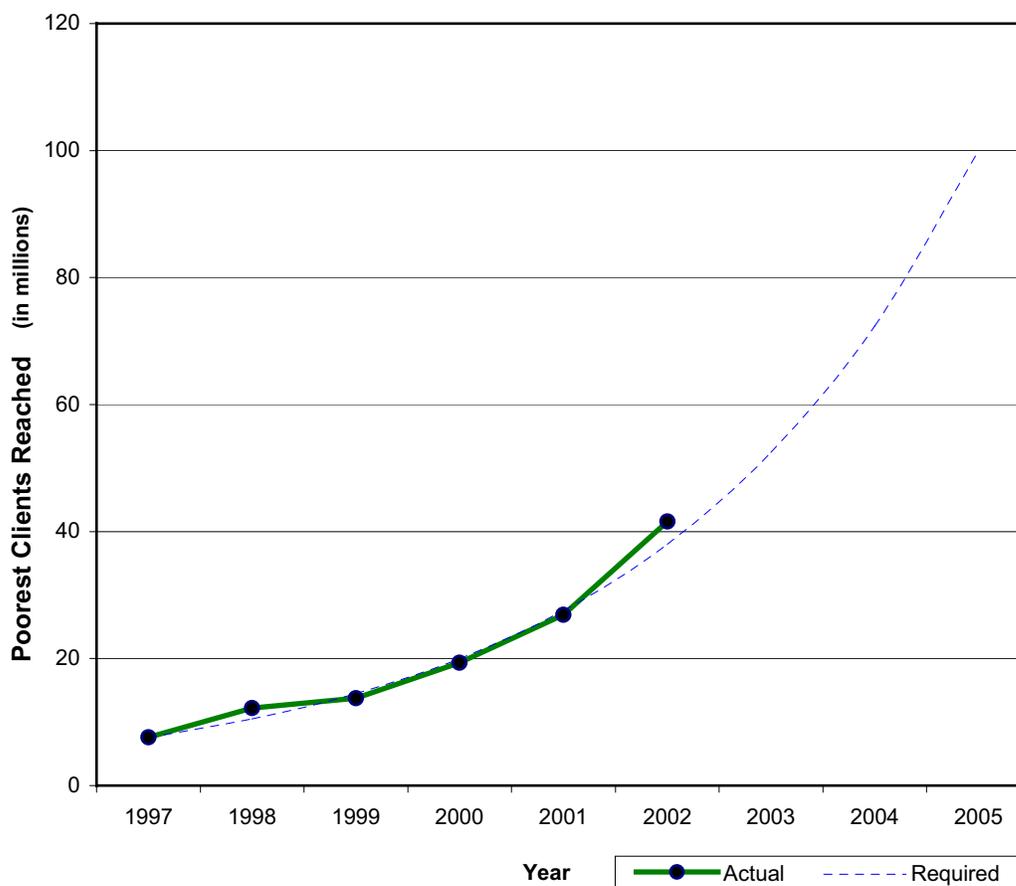
Table 1 shows progress over the last five years.

TABLE 1: FIVE-YEAR PROGRESS TOWARDS THE CAMPAIGN'S GOAL

Year	Number of Programs Reporting	Total Number of Clients Reached	Number of "Poorest" Clients Reported
12/31/97	618 institutions	13,478,797	7,600,000
12/31/98	925 institutions	20,938,899	12,221,918
12/31/99	1,065 institutions	23,555,689	13,779,872
12/31/00	1,567 institutions	30,681,107	19,327,451
12/31/01	2,186 institutions	54,932,235	26,878,332
12/31/02	2,572 institutions	67,606,080	41,594,778

Figure 1 (facing page) shows the trajectory of growth in poorest clients reached since 1997 versus growth that is required to reach 100 million poorest clients by 2005.

FIGURE 1: REACHING 100 MILLION POOREST



The size of the institutions reporting data varies greatly. Table 2 shows the breakdown in size of the 2,572 institutions reporting.

TABLE 2: SIZE OF INSTITUTIONS REPORTING

Size of Institution (in terms of poorest clients)	Number of Institutions	Combined Number of Poorest Clients
1 million or more	8	13,545,168 or 32.6% of total
100,000 - 999,999	25	6,414,155 or 15.4%
10,000 - 99,999	222	5,961,996 or 14.3%
2,500 - 9,999	410	1,958,777 or 4.7%
Fewer than 2,500	1,904	1,003,372 or 2.4%
Networks ¹¹	3	12,711,310 or 30.6%

¹¹The numbers above include data from three large networks: the National Bank for Agriculture and Rural Development (NABARD), see footnote 10, in India; the Association of Asian Confederation of Credit Unions (ACCU), which has 2,104,697 total clients and 1,810,039 poorest clients, and the Bangladesh Rural Development Board (BRDB) which has 3,653,363 total clients and 3,542,123 poorest. These entities are not individual microfinance institutions, but they report the aggregate number of clients served to the Microcredit Summit and are included accordingly in our report, after we have eliminated any double counting.

Of the 41.6 million poorest clients being served, 20 million of them, or 48 percent, are being served by the 33 largest individual institutions reporting, institutions with 100,000 or more poorest clients.

Women Clients Reached

The growth in the number of very poor women reached has gone from 10.3 million in 1999, to 32.7 million as of December 31, 2002. This is a 217 percent increase in the number of poorest women reached from December 31, 1999 to December 31, 2002. This increase represents an additional 22.4 million poorest women reported as receiving microloans in the last three years.

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The Use of Poverty Measurement Tools

As mentioned earlier, the Microcredit Summit Campaign's greatest challenge lies in bridging the gap between our commitment to reaching the poorest families and the lack of a sufficient number of quality poverty measurement tools in use.

Beginning in 2000, the Campaign asked practitioners to indicate what, if any, poverty measurement tool they used to target or identify poorest clients. Of the institutions reporting that year, two-thirds (341 out of 512 institutions submitting an Action Plan in 2000) reported using a tool other than an estimate. Thirty percent of that group (or 104 institutions) told us they were using one of the two tools in the Poverty Measurement Tool Kit: Participatory Wealth Ranking or the CASHPOR House Index.

Of the 813 institutions submitting data in 2003, 531, or 65 percent, reported using a poverty measurement tool other than an estimate. Of this group, 35 percent (or 184 institutions) told us they are using one of the two tools from the Poverty Measurement Tool Kit.

Regional Data

Of the 2,572 institutions that have reported to us, 811 are in Africa, 1,377 are in Asia, 246 are in Latin America and the Caribbean, 47 are in North America, 68 are in Europe and the Newly Independent States (NIS), and 23 are in the Middle East. The low numbers of institutions reporting in Latin America are a direct result of the Campaign not yet having placed a Regional Organizer in the region.

Table 3 (facing page) shows the regional breakdown of data.

TABLE 3: REGIONAL BREAKDOWN OF DATA

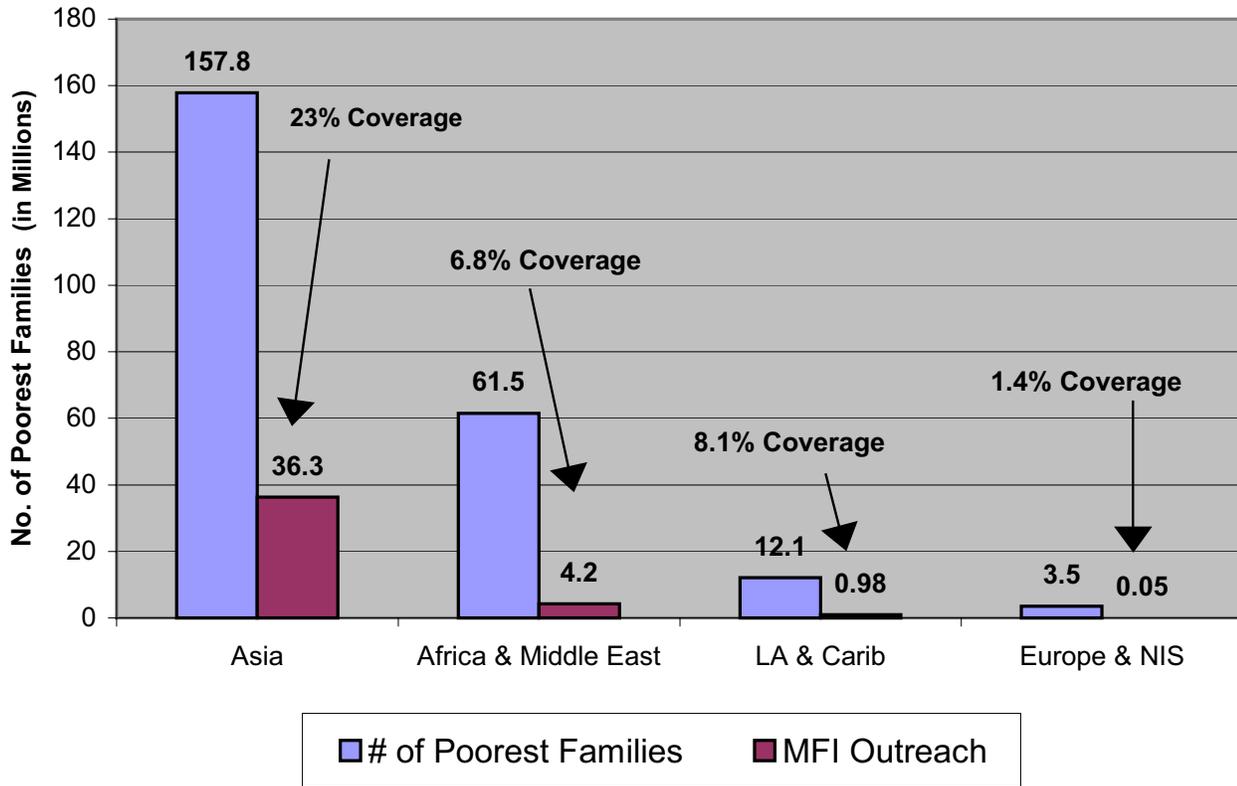
Region	Number of Programs Reporting	Number of Current Clients Reported, 2001	Number of Current Clients Reported, 2002	Number of Current Poorest Clients Reported, 2001	Number of Current Poorest Clients Reported, 2002	Number of Current Poorest Women Clients Reported, 2001	Number of Current Poorest Women Clients Reported, 2002
Africa	811	4,608,407 ¹²	5,761,763	3,461,632	4,202,280	2,362,172	2,611,650
Asia	1,377	47,891,977	59,632,098	22,340,073	36,304,269	18,098,695	29,423,010
Latin America & Caribbean	246	1,973,352	1,942,055	927,830	976,396	643,547	589,405
Middle East	23	67,770	83,047	36,293	37,600	17,324	12,282
Developing World Totals	2,457	54,541,506	67,418,963	26,765,828	41,520,545	21,121,738	32,636,347
North America	47	263,395	47,017 ¹³	31,517	22,469	16,628	12,450
Europe & NIS	68	127,334	140,100	80,987	51,764	31,388	28,283
Industrialized World Totals	115	390,729	187,117	112,504	74,233	48,016	40,733
Global Totals	2,572	54,932,235	67,606,080	26,878,332	41,594,778	21,169,754	32,677,080

¹² All numbers for Africa in 2001 (total, poorest, and poorest women) reflect the inclusion of clients reached by Zakoura Foundation in Morocco that were erroneously included under Middle East in the *State of the Microcredit Summit Campaign Report 2002*.

¹³ The decrease in the number of current and poorest clients reported in North America in 2002 reflects the elimination of various network institutions whose clients were erroneously included in last year's report, but are not based in this region.

Figure 2 shows the relationship between the number of families living in absolute poverty in each region (i.e., those living under one dollar a day PPP) and the number of poorest families reported reached in each region at the end of 2002.

FIGURE 2¹⁴: REGIONAL BREAKDOWN OF ACCESS TO MICROFINANCE



Expanding Impact: The Campaign’s Relevance in Other Areas of Development

Does the work of the Microcredit Summit Campaign and its focus on the very poor only have relevance for the microfinance field or does it have relevance elsewhere in development? Listen to Davidson Gwatkin, who until recently was the principal health and poverty specialist at The World Bank. Earlier this year he participated in a panel focusing on the question, “How can we be sure that achieving the Millennium Development Goals brings about the maximum possible benefit for the poor?” He responded:

Those of us in the health field are still caught up in the thinking of the 1960s and 1970s of improving overall average conditions. If you look at the way the Millennium Development Goals are formulated [in health]....they are still stated in national averages. And it is possible to make improvements in those national averages without having significant benefits flow to poor groups by focusing primarily on upper income groups....If we continue to focus only on national averages as we in the health field continue to do, whether in the Millennium Development Goals, the UNICEF program, the World Bank activities or whatever, then the majority of benefits will not get to the people we are most concerned about....

¹⁴ Adapted from the Financing Microfinance for Poverty Reduction chapter of *Pathways Out of Poverty*, Kumarian Press (2002).

Gwatkin goes on to give the example of measles, a disease far more prominent among poor children than among those who are better off. He describes the call for a measles program and the assumption that it is automatically “pro-poor.”

Then you look at measles immunization rates and they are two or three times as high in the upper income groups as they are in the poor. The programs don't get to the poor....And yet because it's measles and it's a problem with the poor, we congratulate ourselves as being pro-poor. It's not the case....Immunization programs are regressive as they currently exist.

Gwatkin then pointed to the importance of tools like Participatory Wealth Ranking and the CASHPOR House Index.

I've always thought and continue to think [that these kind of tools are] extremely relevant for health. But we do not have it in health. So one of the things I've been working on in recent months is finding some way to take various versions of that same methodology and working on applying it to health....I think there is much that we in health can learn from microcredit....

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Davidson Gwatkin

Looking Forward

United Nations International Year of Microcredit—2005 On December 15, 1998, the General Assembly of the United Nations adopted Resolution 53/197 declaring 2005 as the International Year of Microcredit. The resolution designates 2005 as a special occasion for giving impetus to microcredit programs throughout the world and invites Governments, the United Nations system, all concerned non-governmental organizations, other actors of civil society, the private sector, and the media to highlight and give enhanced recognition to the role of microcredit in the eradication of poverty. On July 23, 2003 the Secretary-General delivered a report to the General Assembly outlining proposed activities for the International Year of Microcredit.¹⁵

The year 2005 is when the new U.S. law requires all institutions receiving USAID microenterprise funds to begin using cost-effective poverty measurement tools to better ensure that at least 50 percent of USAID's microenterprise funds are reaching families starting below US\$1 a day. The same would be true for The World Bank, the African, Asian, and Inter-American Development Banks, and UNDP if those institutions were to adopt the request found in the letter currently signed by more than 600 parliamentarians from leading industrialized countries. If the funding requests found in the letters were also agreed to, spending for microfinance from these institutions would double from more than \$500 million a year to more than \$1 billion a year with half of that amount, \$500 million *per year*, going to families starting below US\$1 a day. Now that would be a year to remember!

Building Better Lives Over the next three years the Microcredit Summit Campaign intends to build on its groundbreaking work bringing cost-effective poverty targeting tools to practitioners in Asia, Africa, and eventually Latin America. The Campaign also plans to include classroom sessions and trainings on cost-effectively integrating microfinance with education in child survival, reproductive health, and HIV/AIDS prevention. With support from the United Nations Population Fund (UNFPA), the two-hour classroom sessions have already begun. More than 290 practitioners in six countries have participated. We've taken up these challenges because they are vital to fulfilling our core themes— reaching the poorest, reaching and empowering women, building financially self-

¹⁵ The Secretary-General's report can be found here:
http://www.uncdf.org/english/microfinance/year/GAresolutions/A58-179_english.pdf (see pages 9-19).

If the funding requests found in the letters were also agreed to, spending for microfinance from these institutions would double from more than \$500 million a year to more than \$1 billion a year with half of that amount, \$500 million *per year*, going to families starting below US\$1 a day. Now that would be a year to remember!

sufficient institutions, and ensuring a positive, measurable impact on the lives of clients and their families. We've taken them on because no other institution with a global reach had.

Microcredit Summit Regional Meetings 2004-2005 The Microcredit Summit will begin a series of regional meetings with the upcoming Asia/Pacific Microcredit Summit Meeting of Councils scheduled for February 16-19, 2004 in Dhaka, Bangladesh.¹⁶ We are very close to finalizing plans to hold the Africa/Middle East meeting in Amman, Jordan in late 2004 followed by the Latin America/Caribbean meeting in 2005. The final Microcredit Summit will be held in late 2006, when we will be able to announce end of 2005 figures. Preliminary discussion has begun as to whether the Campaign should set a new target for the

number of poorest families to be reached by 2015. This would help ensure the full contribution of this work to achieving the Millennium Development Goals.

Conclusion

Shahidur Khandker, in his extensive World Bank research in Bangladesh of BRAC, Grameen Bank and RD-12 said in his findings published in 1998, "as much as 5 percent of program-participating households should be able to lift their families out of poverty every year by borrowing from a microcredit program." Together BRAC and Grameen report reaching 4.2 million families who were very poor when they started or some 21 million family members. This would mean that more than one million family members should be able to move out of poverty each year as a result of borrowing from these two programs or more than some 87,000 people per month.

All institutions reporting to the Summit from Bangladesh have reached a combined total of 10.5 million poorest or some 52.5 million family members. If the statistics for Grameen and BRAC were to hold true for these institutions and family members, that would mean that 2.6 million Bangladeshis should be moving out of poverty each year or some 219,000 people per month.

This year's State of the Microcredit Summit Campaign Report shows that 41.6 million very poor families were being reached at the end of 2002 or some 208 million family members. Again, if Khandker's findings were to hold for all the programs reporting worldwide, that would mean that 10.4 million people should be leaving poverty each year or more than 866,000 people each month.

These statistics do not show up in national macroeconomic data because such surveys do not count the activities of these people. The very poor who have moved above \$1 a day are not engaged in large-scale agriculture in rural areas, nor are they engaged in large-scale manufacturing in the rural areas. They are not on the radar screens of the macro economists, but their lives are changing. They are eating better. Their children are beginning to enroll in school and receive better health care. They are improving their homes and their access to clean water and safe sanitation. Millions of women are achieving higher levels of autonomy and self-respect.

We need truth in advertising in development. In microfinance, we often use code words when we want to avoid talking about poverty. We say "outreach" or "depth of outreach" when we want to avoid direct reference to poverty. We say pro-poor but don't define it, or we define it, but we don't measure it. Human progress can best be measured by how we have found wrongs and corrected them, and how we have found injustices and made them right.

¹⁶ For information see: http://www.pksf-bd.org/aprm_summit_brochure.htm.

Several weeks before this report was completed I had a very direct experience of how deeply this need for justice runs. Each evening, I bathe my five-year-old son and two year-old daughter while my wife reads to one or the other. Recently, my wife read the book *Martin's Big Words*, about Dr. Martin Luther King, Jr., to our five-year-old. The book explained the struggle for civil rights in the United States and efforts to make fair what was unfair. It told of "whites only" signs, about King's death, and about how people have worked to make his dream reality.

After he reads a book or has one read to him, my son writes the name of the book in his own little journal. This particular evening it was clear that he was struggling even to write the first letter. His mother asked whether there was something wrong.

He looked up from his journal with a face expressing great sadness. He pointed to his throat indicating that he couldn't speak. He started to cry, and then came the flood of questions. "Will it ever get unfair again?" he asked. We assured him that it would not. "What did they do with the signs?" he wanted to know. We told him that the signs had been thrown away, but that a few had been put in museums so that we could remember that terrible time. "Will the signs ever come back?" he asked. We assured him that they would not.

Our five-year-old reminded us of how deeply the human need for fairness runs and our need to keep past unfairnesses in the museums, where they belong. We did not think it was time to discuss with him how scandalously unfair it is that more than 100 million primary school aged children are not enrolled in school. We did not think it was time to discuss with him how scandalously unfair it is that 29,000 children his age or younger die each *day* from largely preventable malnutrition and disease. But we will have that discussion soon enough and will continue our work to make sure that some day, his children will have to visit a museum if they want to see global poverty and the unfairness it represents.

This report is a testament to the hundreds of thousands of practitioners who toil in more than 130 countries in order to bring financial services, empowerment, and a better life to their clients. But more than anything, this report is a testament to the tens of millions of poorest clients, for it is they who are working hardest of all to bring a better life to their families. This report is also a testament to the hundreds of millions of family members who are beginning to see positive changes in their lives, changes that the macroeconomic studies do not see.

We end with a plea to those who are able, to advocate for the policies and resources that will bring the 58.4 million poorest families and nearly 300 million families members—yet to be reached—into this movement by the end of 2005. Then we will truly be answering Gandhi's call: "True development puts those first that society puts last." Then we will be able to look at fulfillment of the Millennium Development Goal of cutting absolute poverty in half by 2015 and hear the words of Dr. Martin Luther King: "How long? Not long."

This year's State of the Microcredit Summit Campaign Report shows that 41.6 million very poor families were being reached at the end of 2002 or some 208 million family members. Again, if Khandker's findings were to hold for all the programs reporting worldwide, that would mean that 10.4 million people should be leaving poverty each year or more than 866,000 people each month.

Appendix 1: Microcredit Institutions whose figures on poorest* and total clients as of December 31, 2002 have been verified

This is the fourth year in which the Microcredit Summit has attempted to verify the data reported by its largest members. Practitioner institutions that submitted a 2003 Institutional Action Plan reporting more than 2,500 clients were asked to provide the Campaign with the names of donor agencies, research institutions, networks or other institutions that could corroborate their data. In the letter addressed to the potential verifiers, the Secretariat defined the process as follows: "By confirm, we mean that you have visited the program, met the senior officials, reviewed aspects of the operation, they have provided you with numbers, and you believe that the institution and the numbers listed below are reliable and credible. While we understand that no one can provide absolute certainty, we would appreciate your participation in this process."

As in years gone by, the Summit's greatest challenge is bridging the gap between its commitment to reaching the poorest, and the lack of effective poverty measurement tools in use. Therefore, every use of the term "poorest" in these appendixes should be read within the context of this dilemma. Our work to expand awareness about and use of cost-effective poverty measurement tools is described on pages 5-15.

The data from 234 practitioner institutions was corroborated by at least one other organization. These 234 institutions reported reaching 35.8 million poorest at the end of 2002, or 86.2 percent of the total number of poorest clients reported. 28.8 million, or 80.4 percent, of the 35.8 million poorest clients verified are women.

Verified Institutions, by region

Institution	Country	Poorest Clients as of 31 Dec. 2002	Total Active Clients as of 31 Dec. 2002	% of Poorest Clients that are Women	Verified By
AFRICA					
Amhara Credit and Savings Institution	Ethiopia	255000	255000	38	5
Country Women Association of Nigeria	Nigeria	255000	270000	95	59
Dedebit Credit and Saving Share Company	Ethiopia	208890	208890	35	11,14
CARE Niger	Niger	164363	164363	100	20
Malawi Rural Finance	Malawi	155040	221485	45	111
Kafo Jigineu	Mali	144742	144742	100	177,178
Zakoura Foundation	Morocco	103720	103720	97	138
Alliance de Credit et d'Epargne Pour la Production	Senegal	86525	97504	52	146
Omo Microfinance S.C.	Ethiopia	65448	65448	35	5
Farmers Development Union	Nigeria	59516	69370	97	59
FECECAM	Benin	59324	88486	40	161
Oromia Credit & Savings Loan	Ethiopia	48750	48750	30	118
Organisation d'Intérêt Communautaire pour le Développement du Congo	D.R. Congo (Zaire)	44602	44800	100	72

* "Poorest" in developing countries refers to families whose income is in the bottom 50 percent of all those living below their country's poverty line, or any of the 1.2 billion who live on less than \$1 a day adjusted for purchasing power parity (PPP), when they started with a program.

Institution	Country	Poorest Clients as of 31 Dec. 2002	Total Active Clients as of 31 Dec. 2002	% of Poorest Clients that are Women	Verified By
Federation des Caisses Populaires du Burkina Faso	Burkina Faso	43320	76000	67	96
PRIDE Tanzania	Tanzania	37608	48216	65	17
Projet d' Appui a la Microfinance	Madagascar	30000	42900	80	135
APIMFT	Togo	28738	57476	48	114
Federation des Unions Cooperatives Epargne et Credit	Togo	27562	55124	61	96
Centenary Rural Development Bank, Ltd.	Uganda	25192	31490	27	167
Uganda Women's Finance Trust	Uganda	23972	26635	80	91
FINCA Uganda	Uganda	21686	37233	98	60
FINCA Tanzania	Tanzania	21198	24649	100	60
Lift Above Poverty Organization	Nigeria	18740	18740	98	90
Federation des ONG de Senegal	Senegal	18094	33299	65	34,146
Nyesigiso	Mali	17617	25413	70	96
The Gambia Social Development Fund	The Gambia	17141	23163	74	119
Sinapi Aba Trust	Ghana	16591	26615	94	61
FINCA Malawi	Malawi	16277	19378	100	60
Freedom From Hunger Ghana Development Action Association	Ghana	16000	16000	100	31
CBDJBA	Benin	15295	20045	76	161
Malawi Union of Savings and Credit Cooperatives	Malawi	14935	62291	25	79
Pride/Finance	Guinea	13802	15171	76	89,185
Reseau des Caisses Rurales d'Epargne et de Credit du Walo	Senegal	12850	14750	86	51
Fonds de Solidarite Nationale	Tunisia	12800	63000	90	35,113
Addis Credit and Saving Institution	Ethiopia	10680	12565	72	5
Fondation pour le Developpement local et le Partenariat	Morocco	10600	24845	82	55
WISDOM Micro Financing Institution	Ethiopia	10524	10508	29	120
The Small Enterprise Foundation	South Africa	9743	16210	98	16
Collectif d'Action pour la Promotion du Secteur Artisanal	D.R. Congo	9742	9742	97	176
Caisse Cooperative d'Epargne et de Credit Mutuel	Burundi	9543	13161	75	9
Development Exchange Centre, Bauchi	Nigeria	9081	12108	100	59
JIGYASO BA	Mali	7187	9214	100	117
Projet Caisses Villageoises d'Epargne et de Credit Autogerées	Mali	5900	9500	49	142
Regional Association for Development and Enterprises in Sohag	Egypt	5042	5042	95	39
FINCA Zambia	Zambia	3802	3118	96	60
Microcredit Development Trust	Uganda	3406	3406	100	49
Micro Bankers Trust	Zambia	3042	3042	69	102,109
Union des Clubs d'Epargne et de Credit Du Mayo-Kebbi	Chad	3002	5003	32	37

Institution	Country	Poorest Clients as of 31 Dec. 2002	Total Active Clients as of 31 Dec. 2002	% of Poorest Clients that are Women	Verified By
Sunlink	Kenya	2718	3398	58	98
DEC Finance Trust for Development	Nigeria	2589	3190	99	186
Zambuko Trust	Zimbabwe	2557	14205	82	24
FENAGIE/PECHE	Senegal	2549	10393	99	33
Community Research and Development Organization	Sierra Leone	2450	2900	85	48
Collective Self Finance Scheme	Zimbabwe	2200	2200	70	24
Gasha Micro-Financing S.C. (Pro Pride)	Ethiopia	2097	4193	75	43
Mbonweh Women's Development Association	Cameroon	1800	2400	100	41,168
Outreach Foundation	Nigeria	500	2185	92	137
ASIA					
National Bank for Agriculture and Rural Development	India	7317055	9146340	90	10
Bangladesh Rural Development Board	Bangladesh	3542123	3653363	70	144
Gramreen Bank	Bangladesh	2480000	2480000	96	150
National Family Planning Coordinating Board	Indonesia	2054462	10272310	100	165
Association for Social Advancement	Bangladesh	1870000	1880000	96	12
Association of Asian Confederation of Credit Unions	Thailand	1852132	2315166	60	129
BRAC	Bangladesh	1700000	2920000	100	125
Bank Rakyat Indonesia	Indonesia	1532659	4099500	50	140,141
Community Development Department	Thailand	1504261	1704100	67	67
PROSHIKA, A Center for Human Development	Bangladesh	1273787	1596225	65	71
Vietnam Bank for the Poor	Vietnam	1130000	2760160	51	173
Tamil Nadu Corporation for Development of Women Limited	India	650000	650000	100	187
Sonal Bank	Bangladesh	490000	3500000	69	12,131
Samurdhi Authority of Sri Lanka	Sri Lanka	382542	382542	62	7
Palli Daridro Bimochon Foundation	Bangladesh	360548	360548	90	12
National Bank of Cambodia	Cambodia	328295	328295	79	172
Working Women's Forum	India	320342	320342	100	180
Central People's Credit Fund	Vietnam	320000	660361	33	64
Sarvodaya Economic Enterprises Development Services	Sri Lanka	262580	375118	75	183
CARITAS Bangladesh	Bangladesh	237390	245721	65	143
Rangpur Dinajpur Rural Service	Bangladesh	205052	256315	69	3,12
Thengamara Mohila Sabuj Sangha	Bangladesh	190794	200836	100	12,143
Development of Humane Action Foundation	India	152384	152384	100	73
Swanivar Bangladesh	Bangladesh	136800	561966	80	58
Agricultural Development Bank	Nepal	129272	161590	33	181
BURO, Tangail	Bangladesh	124446	124446	99	54
Bangladesh Extension Education Services	Bangladesh	99400	99400	80	75
CARE India	India	84398	120569	100	122

Institution	Country	Poorest Clients as of 31 Dec. 2002	Total Active Clients as of 31 Dec. 2002	% of Poorest Clients that are Women	Verified By
M.P. Mahila Vitta Exam Vikas Nigam	India	79134	79134	100	170
Amanah Ikhtiar Malaysia	Malaysia	78114	78114	100	115
Rastriya Banliya Bank	Nepal	72244	72244	31	127
Shakti Foundation for Disadvantaged Women	Bangladesh	68400	72000	100	166
Friends of Women's World Banking	India	66169	73521	100	133
Share Microfin Limited	India	62092	85644	100	27,49
United Development Initiatives for Programmed Actions	Bangladesh	61852	61852	100	12
All India Association for Micro-Entreprise Development	India	60000	75000	80	66
Professional Assistance for Development Action	India	57000	60000	100	70,104
TSP Development Corporation	Philippines	56525	57936	100	47
Center for Agriculture and Rural Development	Philippines	55378	69223	100	47
Pact Myanmar	Myanmar	54480	54480	98	156
Bharat Sevak Samaj, Kerala Pradesh	India	52660	52660	100	149
Cavery Grameena Bank	India	52100	101400	29	134
Community Development Center	Bangladesh	46952	46952	61	6
Bina Swadaya	Indonesia	44696	61228	57	86
Negros Women for Tomorrow Foundation	Philippines	43953	45808	100	110,171
Jagorani Chakra	Bangladesh	41899	52374	95	3,12
HEED Bangladesh	Bangladesh	41466	47121	90	143
ASHRAL	Bangladesh	40821	48025	100	71
Paschimanchal Grameen Bikas Bank	Nepal	39076	39076	100	151
Samastha Lanka Praja Sanwardana Mandalaya	Sri Lanka	38561	47344	83	106
Activists for Social Alternatives, The	India	37953	37953	100	82
Resource Integration Centre	Bangladesh	36240	36240	98	65
Integrated Development Foundation	Bangladesh	32992	32992	100	65,90
Peermade Development Society	India	32115	32760	100	162
Heifer Project International P.R. China	P.R. China	31094	37920	45	184
North Malabar Gramin Bank	India	30314	30314	94	69
China International Center for Economic and Technical Exchanges -CICETE	P.R. China	30173	46421	78	32
Association for Realisation of Basic Needs	Bangladesh	29140	36425	94	26
China Foundation for Poverty Alleviation	P.R. China	27937	27937	25	93
Microfinance Delta Project	Myanmar	27343	27343	100	156
The Institute of Rural Development	Bangladesh	27000	27000	100	25
Spandana	India	25502	26002	100	30
Karnataka Regional Organisation for Social Service	India	25000	50000	50	76
People's Multipurpose Development Society	India	25000	28000	100	132
Welfare Association of Village Environment	Bangladesh	23350	25934	97	3
Changanacherry Social Service Society	India	21829	29106	65	68
Opportunity Microfinance India Ltd.	India	21327	21327	91	147
SB Bank-Nepal	Nepal	21270	27073	100	154

Institution	Country	Poorest Clients as of 31 Dec. 2002	Total Active Clients as of 31 Dec. 2002	% of Poorest Clients that are Women	Verified By
Producers Rural Banking Corporation	Philippines	21065	26332	90	94
Asmitha	India	20680	20680	100	30
ACTIONAID Vietnam	Vietnam	20394	22660	99	63
Rural Reconstruction Centre	Bangladesh	19611	39221	100	3,12
Christian Service Society	Bangladesh	19525	21695	95	182
Bharati Integrated Rural Development Society	India	19105	19105	100	136
Institute for Self Management	India	19015	19015	76	160
People's Oriented Program Implementation	Bangladesh	18370	35285	98	3
Women's Development Federation	Sri Lanka	17261	17261	100	1
Institute of Integrated Rural Development	Bangladesh	16960	16960	100	112
Madhya Paschimanchal Grammeen Bikas Bank	Nepal	15215	16906	100	154
Holy Cross Social Service Centre	India	15000	20000	100	53
PAGE Development Centre	Bangladesh	14500	17739	100	3,12
Bangladesh Association for Social Advancement	Bangladesh	13668	19814	100	12
Assistance for Social Organization and Development	Bangladesh	13191	13191	100	3
FINCA Kyrgyzstan	Kyrgyzstan	13135	21185	86	60
Indcare Charitable Trust	India	13000	13000	100	29,126
S.R. Trust	India	13000	15000	100	97
Credit Union Coordination Chapter of NTT East part	Indonesia	12882	17308	59	38,62
Canadian Centre for International Studies and Cooperation	Nepal	12000	43200	50	2
Star Youth Association	India	11990	11990	100	149
Yayasan Dharma Bhakti Parasahabat	Indonesia	11716	19692	100	50
Centre for Development Innovation and Practices	Bangladesh	11600	14563	100	3
Capital Aid Fund for Employment of the Poor	Vietnam	11593	32291	81	90
Annesha Foundation	Bangladesh	11578	20462	95	3
Association of Cambodian Local Economic Development Agencies	Cambodia	10958	82976	72	83
All India Womens Conference	India	10638	23936	97	158
Eco Social Development Organisation	Bangladesh	10590	11121	95	3
SNEHA MACS LIMITED	India	9675	9675	100	30
Small Enterprise Development Co., Ltd.	Thailand	9618	12997	97	124
Noakhali Rural Development Society	Bangladesh	8728	8728	98	12
Indur Intitdeepam Mutually Aided Thrift and Credit Cooperative Societies Federat	India	8503	8503	100	164
Manabik Shahajya Sangstha	Bangladesh	8446	29750	100	12
Rural Reconstruction Nepal - RRN	Nepal	8200	9300	95	99
Funding the Poor Cooperative - Chinese Academy of Social Science	P.R. China	8184	14881	96	90,179
Village Welfare Society	India	8123	10140	87	157
People's Education and Development Organisation	India	8100	8100	100	152

Institution	Country	Poorest Clients as of 31 Dec. 2002	Total Active Clients as of 31 Dec. 2002	% of Poorest Clients that are Women	Verified By
Centre for Advanced Research and Social Action	Bangladesh	8012	8012	98	3
Nowabenki Gono Mokhi Samabay Somity	Bangladesh	7935	9018	90	3,12
Society for Promotion of Youth & Masses	India	7791	7791	100	158
Mitra Usaha Foundation	Indonesia	7724	9135	100	50
Milamdec Foundation, Inc.	Philippines	7662	9578	100	47
Swayam Krishi Sangam	India	7638	9197	100	159
Centre for Overall Development	India	7500	9000	93	84
Kashf Foundation	Pakistan	7131	29714	100	148
Sanghamitra Service Society	India	6785	11240	100	80
Sheva Nari O, Shishu Kallyan Kendra	Bangladesh	6765	6765	100	12
Kyrgyz Agricultural Finance Corporation	Kyrgyzstan	6763	19044	145	15
Mitra Karya East Java	Indonesia	6619	13237	100	50,90
Development Association for Basic Improvement	Bangladesh	6296	14079	95	3,143
Vayalar Memorial Youth Club	India	6000	6000	100	8
Development Society	Bangladesh	5900	3454	100	28
Voluntary Association for Rural Development	Bangladesh	5883	5883	100	3,101
Integrated Rural Development Trust	India	5500	6902	100	81
Koinonia	Bangladesh	5150	6437	99	12
Development Project Service Centre, Nepal	Nepal	4905	4905	60	13
Centre for Action Research-Barind	Bangladesh	4565	4565	37	105
Nav Bharat Jagriti Kendra	India	4400	7361	100	53
Gono Kallayan Trust	Bangladesh	4322	6803	95	3,12
Alternative Development Initiative	Bangladesh	4178	4178	100	12
Evangelical Social Action Forum	India	4115	5219	92	90
Concern for Environmental Development and Research	Bangladesh	4023	5365	90	3
Social Upliftment Society	Bangladesh	4000	9988	97	3,143
GRAM-UTTHAN	India	3976	6881	95	116
Vikasa Mutually Aided Cooperative Thrift Society Ltd.	India	3822	5880	100	163
Alalay Sa Kaunlaran Sa Gitnang Luzon, Inc.	Philippines	3805	15617	87	4
FINCA Azerbaijan	Azerbaijan	2500	6411	57	60
Participatory Development Action Program	Bangladesh	2500	2935	95	77
Agricultural and Rural Development for Catanduanes, Inc	Philippines	1913	6376	86	47
Centre for Rural Reconstruction through Social Action	India	1906	1906	100	155
Centre for Rehabilitation Education & Earning Development	Bangladesh	1807	2077	95	12
Organization for Mothers and Infants	Bangladesh	1575	1575	100	90
NGO Daulet	Uzbekistan	1250	1275	100	78
Norfil Foundation, Inc.	Philippines	1167	11674	100	47
Bandhan-Konnagar	India	1118	1118	100	107

Institution	Country	Poorest Clients as of 31 Dec. 2002	Total Active Clients as of 31 Dec. 2002	% of Poorest Clients that are Women	Verified By
Samaj Paribartan Kendra	Bangladesh	1058	1248	100	12
LATIN AMERICA & CARIBBEAN					
CREDIAMIGO - Programa de Microcrédito do Banco do Nordeste	Brazil	96802	118955	52	145
Caja de Compensación Familiar de Antioquia	Colombia	67854	90472	41	121
Asociación de Organizaciones de Microfinanzas	El Salvador	42589	53237	66	36
Crédito con Educacion Rural (CRECER)	Bolivia	34881	34881	99	130
Pro Mujer - Bolivia	Bolivia	25228	31535	93	130
Asociación de Oportunidad y Desarrollo de Nicaragua	Nicaragua	23696	29620	83	61
Fondo Ecuatoriano Populorum Progressivo	Ecuador	20000	23000	68	175
FINCA Nicaragua	Nicaragua	17538	29230	100	60
Asociación Dominicana para el Desarrollo de la Muje	Dominican Republic	17191	36770	97	20
FINCA Honduras	Honduras	16853	21067	89	108
Corporación Viviendas Hogar de Cristo	Ecuador	14451	14451	99	45
Fundación para el Desarrollo Integral de Programas Socioeconomicos	Guatemala	14200	16500	65	169
World Relief Honduras	Honduras	14100	20144	90	108
DID-Haiti	Haiti	11981	14976	46	87
Fundación José María Covelo	Honduras	11238	13223	70	42
Familia y Medio Ambiente	Honduras	8086	8985	93	88
Organización de Desarrollo Empresarial Femenino	Honduras	7475	11500	78	44
FINCA Mexico A. C.	Mexico	6500	10801	95	56,60
Asociación Beneficia PRISMA	Peru	5850	28627	56	103
FINCA Haiti	Haiti	5627	4333	98	60
Fundación para el Desarrollo Integral Espoir	Ecuador	5520	7362	100	139
Centro de Apoyo a la Microempresa (FINCA El Salvador)	El Salvador	5024	20933	83	60
Fundación para el Desarrollo de Honduras	Honduras	3927	6544	70	22
Emprendamos Juntos A.C.	Mexico	3600	4500	98	128
FINCA Ecuador	Ecuador	3437	17183	89	60
Fondo Financiero Privado FIE S.A.	Bolivia	2911	26468	66	100,130
FINCA Peru	Peru	2763	6104	95	74
FINCA Guatemala	Guatemala	2387	1026	100	60
Fundación Dominicana de Desarrollo	Dominican Republic	578	2311	60	123
Fondo de Desarrollo Regional	Peru	515	1029	40	18
OTHER					
FINCA Georgia	Republic of Georgia	6575	723	86	60
Association pour le Droit a l'Initiative Economique	France	6075	8100	35	92
FINCA Samara	Russia	2282	46	80	60

Appendix 2: List of Verifiers

Number	Name	Institution	Country
1	Dr. W.P.P. Abeydeersa	Sri Lanka Centre for Development Facilitation	Sri Lanka
2	Pitamber Pd. Acharya	DEPROSC	Nepal
3	Dr. Salehuddin Ahmed	Palli Karma-Sahayak Foundation - PKSF	Bangladesh
4	Noel Alcaide	Alliance of Philippine Partners in Enterprise Development (APPEND)	Philippines
5	Dr. Wolday Amha	Association of Ethiopian Microfinancing Institutions (AEMFI)	Ethiopia
6	Mahal Aminuzzaman	The Royal Danish Embassy	Bangladesh
7	Emil C.S. Anthony	SEEDS	Sri Lanka
8	Sebastian Antony	Peermade Development Society	India
9	Mariama Ashcroft	Women's World Banking	USA
10	Anand Bajpai	GTZ	India
11	Anne Bastin	SOS Faim	Luxembourg
12	Abdur Rouf Bhuiyan	Credit and Development Forum	Bangladesh
13	Mukunda Bahadur Bista	Centre for Self-Help Development	Nepal
14	Oystein Botillen	Norwegian People's Aid	Norway
15	Sandra Broka	The World Bank	USA
16	Barbara Calvin	Vulindlela Development Finance Consultants	South Africa
17	Jonathan Campaign	PRIDE Africa	USA
18	Saul Castro	Alterfin	Belgium
19	Rocío Cavazos	Women's World Banking	USA
20	Saoude Chaibou	PDSFR	Niger
21	Mosharraf Hossian Khan	PKSF	Bangladesh
22	Oscar Chicas	Visión Mundial Honduras	Honduras
23	Hla Phyu Chit	UNDP	Myanmar
24	Godfrey C. Chitambo	ZAMFI	Zimbabwe
25	Shafiqul Haque Choudhury	ASA	Bangladesh
26	Shabbir Ahmed Chowdhury	BRAC	Bangladesh
27	Tamara Cook	CGAP	USA
28	Dr. Lynn Curtis	ProLiteracy Worldwide	USA
29	K. Damodarm	ActionAid India	India
30	Vijayalakshmi Das	Friends of Womens World Banking	India
31	Kofi Adade Debrah	Plan Ghana	Ghana
32	Daniel Wang Dexiang	UNDP	China
33	Marius Dia	CNCR	Senegal
34	Frank van Dorsten	Agriterra	The Netherlands
35	Pierre Dulieu	Coopération Technique Belge	Belgium
36	Roxana Durán	Comisión Nacional de la Micro y Pequeña Empresa	El Salvador
37	Ruth Egger	Intercooperation	Switzerland
38	Abat Elias	Credit Union Central of Indonesia	Indonesia
39	Hani El-Mahdi	Catholic Relief Services	Egypt
40	Delmotte Nicolas Emile	Coordination Nationale Microfinance	Madagascar
41	Njonje Emilia Eposi	Organisation of Rural Women	Cameroon
42	Olga Patricia Falck	Banco Interamericano de Desarrollo-BID	Honduras
43	Digafe Feleke	Pro-Pride	Ethiopia
44	Manuel García Fernández	Agencia Española de Cooperación Internacional	Central America
45	Loren Finnell	The Resource Foundation	USA
46	Gebriel T. Galatis	Christian Children's Fund of Canada	Ethiopia
47	Edgardo F. Garcia	Microfinance Council of the Philippines, Inc.	Philippines
48	Gideon Gbappy	Economic Policy & Research Unit, Finance Ministry	Sierra Leone
49	Mike Getubig, Jr.	Grameen Foundation USA	USA
50	David Gibbons	Cashpor Technical Services	Malaysia
51	Masse Gning	FONGS	Senegal
53	Frans Goossens	CORDAID	The Netherlands
54	A.N. Wright Graham	Microsave Africa	Kenya
55	Abderrahim Grine	KPMG	Morocco
56	Mario J. Guity	FINCA	Guatemala
57	Madhulika Gupta	Citigroup	India
58	Shaikh A. Halim	Village Education Resource Center -VERC	Bangladesh
59	Katja Hansen	Evangelischer Entwicklungsdienst	Germany

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60	John Hatch	FINCA	USA
61	Timothy Head	Opportunity International Network	USA
62	Ranjith Hettiarachchi	Association of Asian Confederation of Credit Unions	Thailand
63	Vu Manh Hong	State Bank of Vietnam	Vietnam
64	Dao Van Hung	Microfinance Resource Center	Vietnam
65	Dr. Reazul Islam	DFID	Bangladesh
66	Eric Jacob	The Bridge Foundation	India
67	Dr. Surapol Janyakul	Thammasat University	Thailand
68	James John	Kerala Social Service Forum	India
69	Samuel Johnson	NABARD Kannur	India
70	Naila Kabeer	Institute of Development Studies	UK
71	Md. Fazlul Kader	PKSF	Bangladesh
72	François de Kalonga	Crongd Kinshasa	D.R. Congo
73	M. Kalyanasundaram	INAFI	India
74	Dean Karlan	Princeton University	USA
75	M.A. Kashem	Nagar University	Bangladesh
76	D.J. Kennedy	Functional Vocational Training Forum (FVTF)	India
77	M.Q. Khan	Coalition for the Urban Poor - CUP	Bangladesh
78	Sergey Kim	UNDP	Uzbekistan
79	Stewart Kondowe	Small Enterprise Development Organization of Malawi	Malawi
80	Nhari Krishna	Oxfam GB	India
81	R. Krishnamurthy	Indian Bank	India
82	Udaia Kumar	Share Microfin Limited	India
83	Vee Lee Kun	UNDP	USA
84	Fr. Kuriakose Kunnath	Wayanad Social Service Society	India
85	Damodaram Kuppuswami	ActionAid	India
86	Titus K. Kurniadi	BMM Cooperative	Indonesia
87	Alphonse Labissière	ANACAPH	Haiti
88	Juan José Lagos	Fundación José María Covelo	Honduras
89	Fofana Mohamed Lamine	USAID	Guinea
90	Prof. H.I. Latifee	Grameen Trust	Bangladesh
91	Joanna Ledgerwood	USAID/ SPEED Project	Uganda
92	Gérard Leseul	Confédération du Crédit Mutuel	France
93	Eugene Lin	Mercy Corps	China
94	Ricardo P. Lirio	Bangko Sentral ng Pilipinas	Philippines
95	Humberto Quintero Lizaola	Banco de Mexico - FIRA	Mexico
96	Christian Loupéda	Freedom From Hunger	USA
97	Jayashree Mahesh	ICICI Bank Limited	India
98	Rashid G. A. Malima	Pride Management Services Ltd.	Kenya
99	Prabin Manandhar	Canadian Cooperation Office	Nepal
100	Reynaldo Marconi	Finrural	Bolivia
101	Nimal Martinus	Stromme Foundation	Bangladesh
102	Webby Mate	Association of Microfinance Insitutions of Zambia	Zambia
103	Armando Pillado Matheu	Proyecto COPEME	Peru
104	Rekha Mehra	Ford Foundation	India
105	Craig A. Meisner	CIMMYT Bangladesh	Bangladesh
106	Henry de Mel	Lanka Development & Training Consultants Ltd.	Sri Lanka
107	Kapila Nanda Mondal	Vivekananda Sevakendra O Sishu Uddyan	India
108	Ana Lucía Montero	Fundacion José María Covelo	Honduras
109	David Musona	M and N Associates Limited	Zambia
110	Patricia Mwangi	CGAP	USA
111	Alimon Alfred Mwase	Millennium Consulting Group	Malawi
112	Atiqun Nabi	INAFI	Bangladesh
113	Ahmed Najja	Banque Tunisienne de Solidarité	Tunisia
114	Ramanou Nassirou	WAGES	Togo
115	Mat Noor Nawi	Prime Minister's Department, Economic Planning Unit	Malaysia
116	Narendra Nayak	CARE India	India
117	El hadji Niasse	Microfin Afric	Senegal
118	Maissata Ndiaye Niasse	INAFI	Kenya
119	Abdou A. B. Njie	Sahel Invest Management International	The Gambia
120	Dan Norell	World Vision	USA

Number	Name	Institution	Country
121	Gustavo Lopez Ospina	UNESCO	Ecuador
122	Ranjit Panda	ORG Centre for Social Research	India
123	Juan Manuel Díaz Parrondo	CODESPA	Spain
124	Mark T. Pierce	Catholic Relief Services	Thailand
125	Lynn Pikholtz	ShoreBank Advisory Services	USA
126	Barsha Poricha	National Foundation for India	India
127	K.K. Pradhan	Nepal Rastra Bank	Nepal
128	Rodolfo Oliva Pue	SIFIDE	Mexico
129	Benjamin R. Quiñones Jr.	Asian and Pacific Development Centre - APDC	Malaysia
130	Nestor A. Castro Quintela	Finrural	Bolivia
131	Dr. Atiur Rahman	Bangladesh Institute of Development Studies	Bangladesh
132	P. Joseph Victor Raj	HOPE	India
133	Vrinda Ramachandran	Swayam Krishi Sangam (SKS)	India
134	B.N.Ramaiah	Regional Rural Bank, State Bank of Mysore	India
135	Louissette Ranorovololona	UNDP	Madagascar
136	Dr. P. Somasekhar Rao	Royal Netherlands Embassy	India
137	Aminur Rashid	ASA	Bangladesh
138	Xavier Reille	CGAP	USA
139	Yvan Renaud	Blue Orchard Finance SA	Switzerland
140	Dr. Marguerite S. Robinson	Harvard University	USA
141	Jay Rosengard	Harvard University	USA
142	Souleymane Sako	BNDA	Mali
143	Abdus Salam	Credit & Development Forum (CDF)	Bangladesh
144	Abu Md. Abdus Samad	Government of the People's Republic of Bangladesh	Bangladesh
145	Suzana Sanchez	World Bank	USA
146	Mbaye SARR	Cabinet S.A.R.R	Senegal
147	V. Satyamurthi	All India Association for Microenterprise Development	India
148	Aliya Sethi	Aga Khan Foundation, Social Institutions Dev. Programme	Pakistan
149	Daksha Niranjana Shah	Friends of Women's World Banking	India
150	Dr. Quazi Shahabuddin	Bangladesh Institute of Development Studies	Bangladesh
151	Prakash Raj Sharma	Nirdhan Utthan Bank Limited	Nepal
152	Vishnu Sharma	SDC/ Intercooperation NGO-Programme	India
154	Shankar Man Shrestha	Rural Microfinance Development Centre Ltd.	Nepal
155	Shashi Shrivastava	Friends of Women's World Banking	India
156	Bishnu B. Silwal	United Nations Office for Project Services	Myanmar
157	Sanish Singh	SIDBI	India
158	A.N.Singhal	NABARD	India
159	Sanjay Sinha	M-CRIL	India
160	Paul Sinnappan	Credit Union Club	Madagascar
161	Mathieu Soglonou	Consortium Alafia	Benin
162	Jaya Sreekumar	Bharat Sevak Samaj	India
163	A. Sreenivas	SIDBI	India
164	Girija Srinivasan	Freelance Consultant	India
165	Dr. Haryono Suyono	Donor Agency Foundation (YDSM)	Indonesia
166	Md. Tofazzal Islam Talukder	Howladar Yunus & Co.	Bangladesh
167	Jack Thompson	SPEED Project	Uganda
168	Rosetta B. Thompson	Pan African Institute for Development	Cameroon
169	Didier Thys	The Microfinance Information eXchange	USA
170	Achla Tiwari	M.P. Consultancy Organization Ltd.	India
171	Helen Todd	Cashpor Technical Services	Malaysia
172	Hout Ieng Tong	Hattha Kaksekar Ltd.	Cambodia
173	Vu Van Trinh	Vietnam Bank for Agriculture & Rural Development	Vietnam
174	Pham Minh Tu	Vietnam Bank for Agriculture & Rural Development	Vietnam
175	Javier Vaca	Red Financiera Rural	Ecuador
176	Patrick Vanderhulst	ATOL	Belgium
177	Luc Vandeweerd	ADA	Luxembourg
178	Alex de Ville	ADA	Luxembourg
179	Andrew Watson	Ford Foundation	China
180	Paul A.D. ter Weel	Netherlands Embassy	India
181	Ulrich Wehnert	GTZ	Nepal

Number	Name	Institution	Country
182	Kenneth W. Wesche	Enterprise Development International	USA
183	Indrajith Wijesiriwardana	UVADES Consulting	Sri Lanka
184	Du Xiaoshan	Rural Development Institute, Chinese Academy of Social Sciences	China
185	Diallo Saikou Yaya	Réseau Guinéen des Praticiens de Microfinance	Guinea
186	Erica Zwaan	Cordaid	The Netherlands
187	V Gomathi Nayagam	Indian Overseas Bank	India