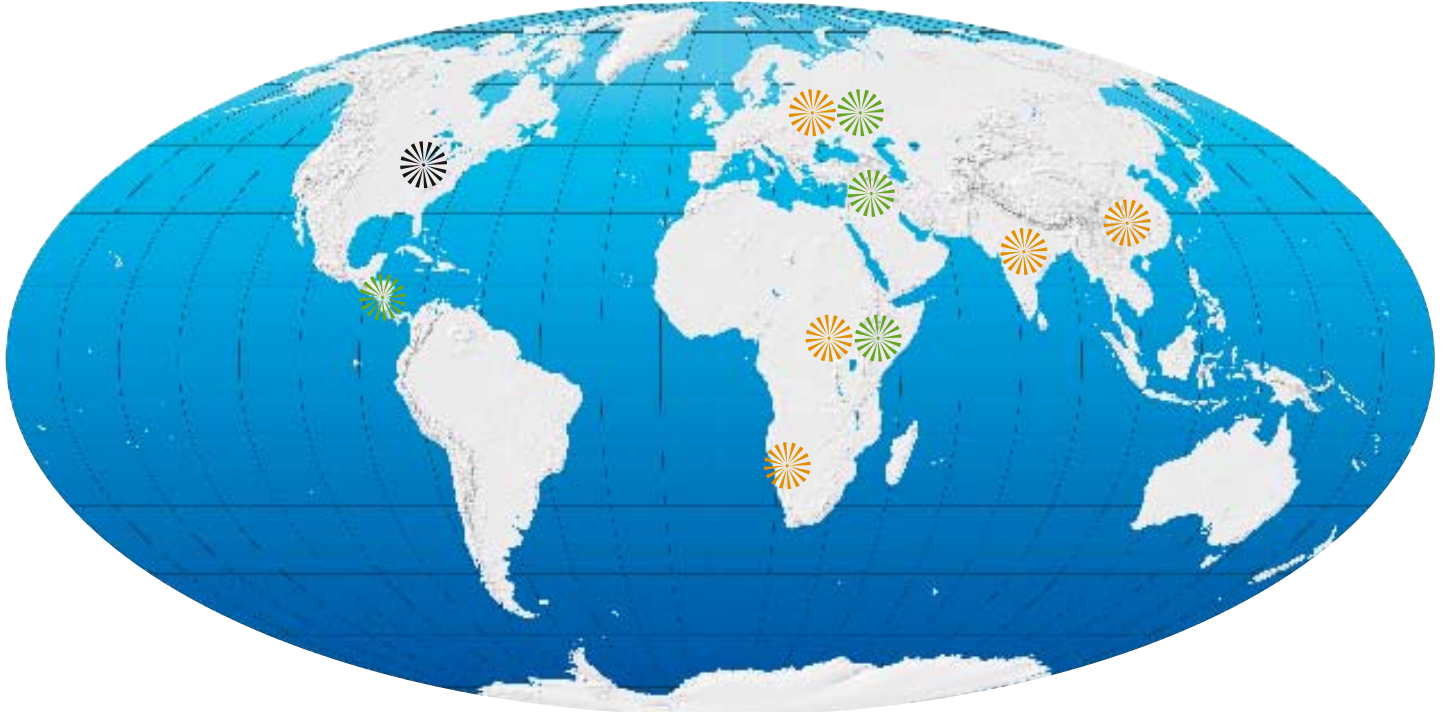


**Credit Suisse supported  
Microfinance Projects**

Country Program  
Regional Programs  
Worldwide



**Kadita A. T. Tshibaka**  
Opportunity International, Washington/  
Illinois

With more than 400,000 voluntary savings clients, one million loan clients and 800,000 microinsurance clients, Opportunity International is one of the largest microfinance organizations in the world. It is a leader with regard to building, owning and operating regulated banking institutions for people in poverty.

→ [www.opportunity.org](http://www.opportunity.org)



**Rupert Scofield**  
FINCA, Washington

FINCA provides financial services to the world's lowest-income entrepreneurs so they can create jobs, build assets and improve their standard of living. FINCA provides an array of services including loans, savings, and credit life and health insurance to more than 740,000 clients living in 21 developing countries.

→ [www.villagebanking.org](http://www.villagebanking.org)



**John Tobin**  
Credit Suisse, Zurich

Credit Suisse provides financial assistance to microfinance projects, and involves its own employees in order to develop the requisite expertise in the sector.

→ [www.credit-suisse.com/citizenship](http://www.credit-suisse.com/citizenship)



**María Otero**  
ACCION, Washington

ACCION International is a leading non-profit organization in the microfinance area. ACCION runs programs aimed at providing disadvantaged people with a means of freeing themselves from poverty.

→ [www.accion.org](http://www.accion.org)



**Urs Egger**  
Swisscontact, Zurich

Swisscontact supports small and medium enterprises (SMEs) in over 20 countries by providing advice and training. It develops the capacity of financial intermediaries to provide financial services that support the growth of SMEs.

→ [www.swisscontact.ch](http://www.swisscontact.ch)

## Microfinance Roundtable

# Where There Is a Will, There Is a Way

Many people around the world continue to struggle with poverty. For those who are industrious, innovative and determined, microfinance can provide a way out of poverty. We spoke with leaders of our four partner organizations in the microfinance field as well as with the head of Public Policy – Sustainability Affairs at Credit Suisse about the background, objectives and anticipated developments in the sector.

### **bulletin: What do you say to the critics who dismiss a world without poverty as wishful thinking?**

**Kadita A. T. Tshibaka:** Having grown up in the Democratic Republic of the Congo, I know both the sobering reality of the challenges and the remarkable changes that are possible. I'd invite critics to spend more time with people around the world who are working their way out of poverty – to experience the passion, ingenuity and intellectual capital that exists at all levels.

**Rupert Scofield:** We clearly have the financial, human and technological resources to solve the problem of poverty in our lifetimes.

**Urs Egger:** Reducing poverty is the overarching goal of international development cooperation. But achieving this goal needs coordinated efforts at national and international levels. The driving force for socioeconomic development is private initiative.

**John Tobin:** History contradicts them and the evidence proves them wrong. Many parts of Western Europe, North America and Southeast Asia, where poverty was commonplace, are now affluent.

**María Otero:** Microfinance has already proved that the poor are creditworthy, and the industry has proved that it's investment-worthy. Today, it only reaches from 50 million to 100 million poor entrepreneurs, and we estimate that the potential market is 750 million to a billion worldwide. So, we have to scale faster.

### **In what ways has the microfinance sector changed over the last 10 years?**

**María Otero:** Microfinance has evolved from a once-arcane development strategy into the common vernacular – it has received

United Nations recognition and the Nobel Peace Prize. And, the commercial model has become a generally accepted way of achieving scale and sustainability. Investing in microfinance has ultimately become an industry in and of itself.

**Rupert Scofield:** That's actually the biggest change. There are millions of clients involved, thousands of institutions offering financial services, and there are hundreds of billions of dollars invested in the sector.

### **“I know both the sobering reality of the challenges and the remarkable changes that are possible.”**

Kadita A. T. Tshibaka

**Urs Egger:** Many microfinance institutions (MFIs) have qualified for investments of international funds. This fact shows their progress in internal management and market orientation.

**Kadita A. T. Tshibaka:** The sector has changed dramatically. Loan products are now more flexible, and savings and insurance have grown to be core offerings for organizations that want to help clients effectively navigate economic hardships. Without savings and insurance, clients are at risk of slipping back into poverty because of unforeseen circumstances.

**John Tobin:** The industry has grown explosively, and we have seen a real growth in interest from our private banking clients – particularly since microfinance >

### **Microfinance Capacity Building Initiative**

The microfinance sector has seen exponential growth in recent years. Despite the access to billions of dollars in capital and a continued demand for services, there have not been enough trained people to keep up with the growth of this sector. This is why Credit Suisse has established the Microfinance Capacity Building Initiative. This program provides the requisite training to thousands of microfinance staff around the world, and facilitates access to financial services for those at the base of the income pyramid. In this process, Credit Suisse works with its four partner organizations to foster research and innovation, as well as constructive dialogue, and to develop best practices and new solutions for financial inclusion.

→ [www.credit-suisse.com/citizenship](http://www.credit-suisse.com/citizenship)

represents a combined financial and social investment. Socially Responsible Investing (SRI) has become an important investment class.

**Do you believe that the shift towards commercialization is inevitable for all players in the microfinance sector?**

**Rupert Scofield:** There are two types of players in the sector now – those who basically pursue it as a business and, for them, pure commercialization makes perfect sense. Then there are other organizations for which microfinance is one of the many tools used to combat poverty.

**“We clearly have the financial, human and technological resources to solve the problem of poverty in our lifetimes.”**

Rupert Scofield

**John Tobin:** We don't see commercialization as inevitable for all MFIs. Some will continue to operate as not-for-profit organizations, while others will be run more like businesses.

**María Otero:** Individual and corporate philanthropy remains critical for the “seed capital” needed to enter those new markets. To reach broad scale and offer comprehensive financial services, an MFI must first be profitable.

**Kadita A. T. Tshibaka:** While sustainability and accountability are important standards for the entire industry, a sector built around profit-taking could make it more difficult to reach people at the bottom of the pyramid.

**Urs Egger:** We believe that profitability is a criterion for the sustainability of an economic actor. The activities of an MFI must therefore be profitable in the mid-term perspective.

**What approach does your organization/institution pursue?**

**María Otero:** The “commercial” approach – i. e., we seek to develop, through technical assistance and investment, MFIs that are profitable and sustainable – and ones that can ideally, eventually, tap the capital markets. We focus on innovation.

**Rupert Scofield:** Since FINCA is focused on the bottom of the pyramid, and our goal

is to leave as much of the fruits of our clients' labors in their hands, we accept a less-than-profit-maximizing return on our capital. We seek investors with the same goal; investors who need a fair – but still attractive – return on their capital, but for whom getting a high social return is equally important.

**Kadita A. T. Tshibaka:** We focus on sustainability in all of our operations. Because of the fact that we build, own and operate regulated commercial banks that serve the poor, we are able to achieve both breadth and depth of outreach. Moreover, a savings-based approach to microfinance not only provides clients with a safe way to secure their earnings, it also helps us to operate sustainably.

**Urs Egger:** Swisscontact is specialized in training and improving the management skills of MFIs and small enterprises. By its Private Sector Development Strategy providers of financial services as well as their clients can improve their performance. Swisscontact doesn't provide capital, but facilitates the transfer of know-how.

**John Tobin:** Credit Suisse is not a microfinance institution, but we are active in the microfinance industry in several ways that distinguish us from others. We are a leader in microfinance investment products through our association with the Responsibility funds. We are also a leader in IPOs of microfinance institutions. Moreover, we are committed to strengthening technical skills at microfinance institutions and thereby contribute to an overall strengthening of the sector through our Microfinance Capacity Building Initiative (see box).

**Do you believe it makes a difference for borrowers, whether this capital stems from philanthropic resources or from a private institution?**

**Kadita A. T. Tshibaka:** Approaching clients as equal partners matters more than how you generate capital.

**Urs Egger:** We are convinced that the best basis for developing MFIs is by generating local savings. If the capital of MFIs stems from a grant basis however, the danger of use in non-sustainable purposes may arise.

**Rupert Scofield:** To microfinance clients, what matters are the terms on which the credit is offered and the long-term commitment of the MFI. Even organizations that benefit from a high percentage of

philanthropic funds may not use this money to buy down interest rates.

**María Otero:** The borrowers' main concerns are arguably more focused on whether they'll be able to secure a loan, how best to utilize the money, and if they'll earn enough to pay for education for their children.

**“To reach broad scale – to service all the people who could benefit from inclusive financial services – requires an MFI to eventually be profitable.”**

María Otero

**How can multinational companies contribute to alleviating poverty?**

**John Tobin:** Multinationals must target their philanthropic contributions strategically. Before we undertake a Corporate Citizenship initiative, we first learn as much as we can about the particular field, identify best-in-class partners, and define our vision and goals early in the process together with our partners so that we are all building toward the same goals. We also invest heavily in developing a constructive dialogue with our partners. This allows our own units to benefit from the experience gained.

**Kadita A. T. Tshibaka:** Multinationals are in a unique position to support technology initiatives that provide access to financial services for those previously shut out of the banking system. In addition, they can leverage their intellectual capital to help train the new generation of social entrepreneurs that are coming of age in the developing world.

**Urs Egger:** Corporate social responsibility considers alleviating poverty as a part of the business model of the company. Companies from the financial sector can in addition offer financial products for MFIs.

**María Otero:** We need the private sector in order for microfinance to reach scale, and a profit motive must exist for commercial entities to participate. After all, private-sector resources would help make the poor richer, and those microfinance institutions that make money would earn the capital needed to extend credit and other financial services to more people.

**Rupert Scofield:** From my point of view, the most interesting contribution they can make is to figure out how to partner with MFIs to bring MFI clients into the formal economic sector, either by providing services to these entrepreneurs, buying their products, or participating in some way in their economic ventures.

**What type of contribution can politics achieve in this effort?**

**Urs Egger:** The politicians in developing countries should provide an enabling environment for poverty reduction by offering basic education for their population – including the poor. They should develop infrastructure, and follow a fiscal and trade policy which is in favor of the private sector. Industrial countries should open their markets to products from developing countries.

**“Corporate social responsibility considers alleviating poverty as a part of the business model of the company.”**

Urs Egger

**Rupert Scofield:** Political leaders, in both developing countries and wealthy countries, must provide the political will to keep poverty alleviation high on the agenda. In many developing countries, this means adjusting regulatory requirements accordingly.

**Kadita A. T. Tshibaka:** Governments in developing countries need to be encouraged to create the infrastructure that enables microfinance institutions to reach more people in highly efficient and effective ways. Governments need to craft regulations that recognize the unique qualities of MFIs.

**John Tobin:** NGOs, corporates and governments need to work together to develop the ground rules that create the right incentives so that microcredits are developed and fostered, thus improving the living conditions of millions.

**María Otero:** If, for example, developing-nation governments impose interest-rate ceilings, or implement low-cost micro-finance schemes of their own to curry political favor, microfinance initiatives can

be undermined, because of the comparatively high costs of making small loans. Developed nations such as the US can seek to influence and guide policy, to expand multilaterals' capacity to provide assistance on regulatory frameworks and credit reference systems that are necessary for engaging private banks in microfinance.

**And lastly, how do you believe the micro-finance sector will develop in the future?**

**Rupert Scofield:** First, we have to look at how many people the sector is reaching right now. I think the current estimate is 154 million people. I think that number will double to 300 million plus during the time frame you're talking about. If we can accomplish that, we will, basically, have incorporated a billion and a half people at the bottom of the pyramid into the formal financial sector. I think the industry is more likely to reach these levels through increasing commercialization.

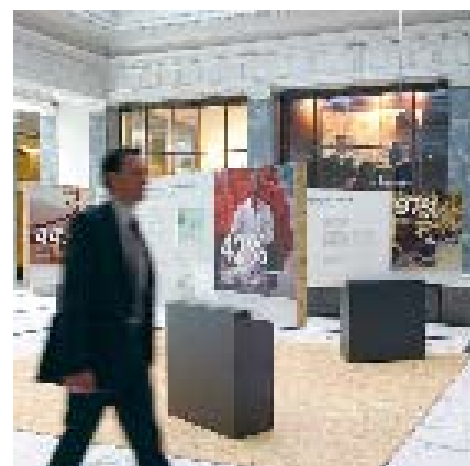
**John Tobin:** We see only future growth – for the MFIs, for borrowers and for investors.

**Urs Egger:** I, too, believe that the basis of microfinance will be broader with more strong and sustainable institutions. In addition to that part of the sector serving the poor, banks should have developed financial products for the needs of small and medium-sized enterprises. Developing this class of enterprises is necessary to overcome the un- and underemployment challenge of the partner countries.

**María Otero:** If we keep pursuing the commercial approach, engage the capital markets and scale up, we'll reach hundreds of millions of entrepreneurial poor, making significant progress toward building genuinely inclusive financial systems.

**Kadita A. T. Tshibaka:** As the industry continues to mature, the danger is that it will drift further upstream toward a more secure client base. It's critical that we continue to focus on those with the greatest needs – those who have been displaced, those in rural areas, those whom traditional institutions consider unbankable. If we maintain that focus, we can then envision a world in which the poor have fair access to economic opportunities and the hope to move beyond poverty.

Mandana Razavi



**Lichthof Exhibit**

Credit Suisse has been involved in microfinance since 2001, and thus played a pivotal role in the founding of responsAbility Social Investments AG. In May 2009, for example, money in the global microfinance fund is invested in about 200 MFIs in 43 countries, thereby reaching close to 300,000 microentrepreneurs. Credit Suisse also offers a wide range of advisory services within the micro-finance sector and has led landmark transactions such as the IPO of Banco Compartamos in April 2007 – the first ever IPO in the microfinance sector. From June 11 to July 2, 2009, the Credit Suisse Lichthof, on Zurich's Paradeplatz, was home to the touring exhibition entitled “Micro-finance – A Social Investment That Creates Opportunities.” The exhibition allowed visitors to gain some insights into the workings and success story of microfinance.

→ Use the reply card in the magazine to order your free DVD “Microfinance – An Investment in World Development.”