STANFORD
GRADUATE SCHOOL OF BUSINESS
STANFORD SOCIAL INNOVATION *review*

Reimagining Microfinance

By Alex Counts

Stanford Social Innovation Review
Summer 2008

Critics of microfinance institutions (MFIs) ask them to choose between helping the poor or making money for investors, but this is a false choice. MFIs can have their impact and profit, too, says the author, the CEO of the Grameen Foundation. He sketches a new vision of microfinance as a platform, not a product; one that relies on high volumes, not high margins, and that uses limits on private benefit, holistic performance standards, and third-party certification to help MFIs meet both their bottom lines.

by ALEX COUNTS

Reimagining Microfinance

ILLUSTRATION BY ALAN E. COBER/GETTY IMAGES

DESPITE THE FACT THAT MOST microfinance institutions (MFIs) were established to reduce poverty, many are starting to look like traditional financial institutions. To expand their outreach and loan portfolios, they tap into commercial and quasi-commercial sources of finance, which require them to demonstrate consistent profitability to their investors. When the Mexican MFI Banco Compartamos went public in 2007, for example, its exiting shareholders earned returns of approximately 100 percent compounded annually over an eight-year period.

This trend toward commercialization has led critics to ask whether MFIs will continue to serve the world's poorest people. They point out that many profit-minded MFIs have either raised their interest rates or failed to lower them when reductions in costs allowed them to do so. They note that some MFIs have cut back on social service programs, infrastructure, and staff training to reduce costs and increase short-term profitability. They show that a growing number of MFIs are not tracking their social impact even though they have the tools to do so.

At the same time, other critics worry that MFIs are not commercial enough. They say that MFIs' commitment to social justice keeps these organizations from becoming profitable. Lack of profitability in turn prevents MFIs from attracting the investment they need to meet the estimated $300 billion demand for their services. (MFIs currently supply an estimated $15 billion to $25 billion in loans.) And when MFIs attempt to lower interest rates and offer nonfinancial services, some observers decry these nonprofit-minded measures.

Yet I believe that the dichotomy between commercial microfinance and pro-poor microfinance is a false one. In its place, I propose a new model that could make microfinance both more relevant to the world's


Alan E. Cober

poor and more profitable in the long term. This model views microfinance not as a mere financial product, but as a platform for delivering a host of products and services to the world's poorest, most isolated people.[1] The model relies on high volumes, not high margins. And it uses private benefit limits, holistic performance standards, and third-party certification to make sure that MFIs meet both of their bottom lines. All MFIs—nonprofits, for-profits, nonbank finance companies, and any other institutional form—can adopt and adapt this model.

If MFIs can take up these practices, they can avoid making a false choice between serving the poor and acting businesslike. In addition, they may have a longer-term impact on poverty while generating profits up and down the value chain—from poor families to multinational corporations. Finally, by reimagining microfinance MFIs may regain the public's trust, avoiding the regulatory backlash that would put the industry into a defensive stance from which it might never recover.

Platform, Not Product

MFIs' most important assets are not their loan portfolios, but their high-quality relationships with the world's poor.[2] In this new model of microfinance, MFIs use these relationships as a platform from which to develop and distribute a range of products and services—not just financial ones.

Although some of these nonfinancial products can be quite profitable, not every new product or service needs to be. As in many commercial spheres, some products are "loss leaders" that exist to attract clients, to strengthen relationships with existing clients, or to help clients take advantage of other, profitable products. For example, an educational loan to a client's child may enable that student to use profitable financial products in the future. Likewise, MFIs that use the platform approach to educate, strengthen, and win the loyalty of clients can generate long-term profits for investors and customers alike.

One example of an MFI that views microfinance as a platform and not a product is Grameen Bank. Established as a pilot project in 1976, Grameen Bank transformed into the world's first commercial microfinance bank in 1983. In its first 15 years, the bank experimented with everything from organizing client-run preschools, to partnering with local government agencies to organize immunization days, to distributing vegetable seeds and saplings at cost.

By the early 1990s, the bank decided to turn most of its nonfinancial initiatives into separate companies. That way, individual CEOs could have more control over their operations, and the bank could reduce the effect of failed enterprises on other Grameen initiatives. Most of these companies use bank resources, such as staff, knowledge, relationships, and facilities, to take on poverty-reduction opportunities that microfinance alone could not adequately address. For example, GrameenPhone, Bangladesh's largest and most profitable telecom company, has helped 300,000 Grameen Bank clients establish profitable mobile pay phone businesses.

Grameen has likewise created nonprofit organizations to address other issues affecting the poor, such as health care. For instance, Grameen Kalyan has set up more than 30 health clinics located alongside Grameen Bank branches. The organization uses a health insurance model in which Grameen clients and other poor families pay a yearly insurance premium and receive preventive and curative services for a small co-payment. They can also buy medicine at a discounted rate. Because health crises are the primary reason microfinance clients default on their loans, the clinics' successes redound to the success of Grameen Bank. Another thriving initiative is Grameen Shakti, a profitable yet nonprofit renewable energy company that sells, finances, and services solar power systems for families and businesses, thus providing clean power without subsidy. To date, the organization has installed more than 120,000 solar power systems.

The Haitian nonprofit MFI Fonkoze similarly partners with its for-profit sister, Sèvis Finansye Fonkoze (SFF), to integrate innovative financial products with social service delivery. Together, Fonkoze and SFF offer a growing number of their more than 160,000 clients an outstanding adult education program with modules on basic literacy, business management, human rights, agriculture, and reproductive health. The program is voluntary, but the MFI strongly encourages its clients—especially those who cannot read or write—to participate. World-class experts designed the program, and cost-effective local field staff implement it. Philanthropic donations currently fund the program, but over time, as it grows and achieves economies of scale, interest rates should cover its cost. In this way, the commercial enterprise will both invest in and benefit from the long-term health and business savvy of clients. Preliminary data on a group of clients who had access to both financial and educational services show an 8 percent reduction in the percentage of people living below $1 a day and a 9 percent reduction in those living below $2 a day. Fonkoze is already generating surplus revenue, and the more recently established SFF is on course to earn a profit in 2008.

The African microfinance community likewise boasts an MFI that both contributes to and profits from its network of relationships. Called Jamii Bora, this Kenyan nonprofit is the shining star of African MFIs. Like Grameen, Jamii Bora observed that the most common reason that its clients failed

ALEX COUNTS *is the president and CEO of the Grameen Foundation, a Washington, D.C.–based organization that combines microfinance, technology, and innovation to fight poverty through a network of partners in 25 countries.*

The false dichotomy between commercial and pro-poor microfinance leads to stale debates and suppresses creativity.

to repay their loans was illness. To prevent illness-related loan defaults, the organization attempted in 2001 to develop a health insurance program by partnering with insurance companies. But the companies' rates—an average of $80 per year—were too expensive for many of Jamii Bora's clients.

Not giving up, the organization next approached missionary hospitals that were on the brink of bankruptcy to explore the possibility of partnering. Jamii Bora agreed to help keep the hospitals open by paying them for its clients' health care. To finance this plan, the MFI charged clients a $12 annual insurance premium for five family members and $2 for each additional family member. Clients pay the premium in weekly installments—a schedule that poor clients can handle—to trusted loan officers at borrower meetings. The program has not only stabilized the finances of several participating hospitals—a boon for the communities—it has also made Jamii Bora's clients healthier. And loan defaults have fallen as a result. The health program has never received donor funding, and Jamii Bora recorded its first profit in the first quarter of 2004. As of mid-2007, the MFI has served 170,000 clients with an outstanding loan portfolio of more than $5.7 million. Despite recent political upheaval in Kenya, Jamii Bora remains profitable.

MFIs that view microfinance as a platform are not necessarily the ones that earn the greatest profits in the short term. Creating divisions or sister companies that deliver social services can be expensive, even when these organizations are profitable. Nevertheless, the long-term social *and* financial viability of this new model of microfinance makes it superior to a more narrowly focused approach.

High Volume, Not High Margins

Microfinance has survived by charging relatively high interest rates, with average APRs falling between 25 percent and 70 percent. Interest rates are high in part because servicing unsecured small loans in remote locations is a costly business. Yet many MFIs keep charging high interest rates even after their gains in efficiency and profitability have lowered the cost of servicing loans.

High interest rates have exacted a real cost. For many MFIs, client dropout rates remain unacceptable, sometimes exceeding 40 percent per year. And in Ecuador, Nicaragua, and India, populist politicians have cracked down on MFIs that allegedly charge exorbitant rates, collect payments unethically, and hide rates from clients. The most infamous of these cases took place in India in March 2006. Local government officials in the state of Andhra Pradesh padlocked the entrances to some 50 branch offices of two microfinance institutions and imprisoned their loan officers. The national and especially local press stoked the flames of this dispute, which lasted six months.

An uneasy truce has allowed the MFIs to return to business, but conflict could reemerge, as some of the underlying reasons for the flare-up—such as competition between state-run and private MFIs—remain largely unresolved. Ironically, Indian MFIs charge some of the lowest rates in the world, trailing only Bangladesh and Bolivia in the affordability of their loan products.

To calm regulators and policymakers and enhance their antipoverty impact, MFIs should view themselves as high-volume businesses, rather than as high-margin ones. In other words, MFIs should aim to conduct many marginally profitable transactions, rather than fewer highly profitable ones. The microfinance markets in Bangladesh and Bolivia are examples of high-volume, low-margin models. In Bangladesh, where more than 20 million people receive microfinance services, rates have been low all along, ranging from 15 percent to 30 percent. In Bolivia, interest rates were initially much higher than in Bangladesh, but have come down dramatically, falling from 50 percent in the mid-1990s to just over 20 percent today. During the same period, the Bolivian microfinance industry grew from some 200,000 clients to more than 600,000.

From its inception, Grameen Bank has conceived of its business as one based on volume, not margin. In its early years, the bank could have taken advantage of its near-monopoly and charged much higher interest rates. Experience has shown that in many countries without competition, clients are willing to pay rates of 30 percent to 60 percent (client attrition is usually very high above that level). Instead, Grameen Bank fixed its interest rates for commercial loans at 20 percent, offering lower rates for housing and student loans. Perhaps this business model is why Grameen Bank has enjoyed a reasonably good relationship with policymakers and regulators in Bangladesh.

The commercial MFI Amhara Credit and Savings Institution (ACSI) has likewise adopted a high-volume, low-margin business model. As of 2007, ACSI was one of Ethiopia's largest and most successful MFIs, with a total clientele of almost 840,000 people (including clients who only save and do not borrow), an outstanding loan portfolio of $102 million, and more than $53 million in savings. This market leader in Ethiopia has achieved one of the leanest cost structures in

The Progress out of Poverty Index (PPI) for Peru

INDICATOR	VALUES						POINTS
1. What fuel does the household use to cook?	Other 0 pts.			Gas, electricity, or none 6 pts.			
2. Does the household have a cellular or landline telephone?	No 0 pts.			Yes 14 pts.			
3. What is the main construction material for the floors?	Dirt 0 pts.			Other 6 pts.			
4. If the household farms, how does it water the majority of its agricultural land?	Rain or none 0 pts.			Irrigation 4 pts.			
5. Does the household own an iron?	No 0 pts.			Yes 5 pts.			
6. Does any household member work a job that pays monthly?	No 0 pts.			Yes 8 pts.			
7. Does the household own a blender?	No 0 pts.			Yes 4 pts.			
8. Where does the household's water come from?	Other 0 pts.			Public network 3 pts.			
9. Does the household own a color TV?	No 0 pts.			Yes 7 pts.			
10. How many household members are aged 17 or younger?	5 0 pts.	4 4 pts.	3 12 pts.	2 22 pts.	1 31 pts.	0 41 pts.	
						TOTAL	

Source: Microfinance Risk Management LLC, based on the 2003 National Household Survey

A perennial challenge in microfinance is measuring poverty reduction. With the PPI, evaluators can use existing data to assess and categorize clients according to their economic status. They can also tailor the PPI to specific cultural contexts, such as this version for Peru.

Africa, even in the absence of competition and despite operating in a remote region of the country. Founded in 1995, its clients pay interest rates ranging from 16 percent to 20 percent, which is some 41 percent less than the average microloan APR in sub-Saharan Africa. ACSI's default rate is less than 1 percent, compared to 4.7 percent for African MFIs overall.

ACSI also serves as a platform for other products and services. Through its collaboration with the regional government, it distributes products and services to enhance food security. As a result, its borrowers—who are among the poorest served by any large African MFI—are better able to withstand food shortages and to become increasingly productive and profitable citizens—not to mention ACSI clients.

Limits on Private Benefit

Seemingly excessive executive pay has become a major issue for both multinational corporations and nonprofit organizations. MFIs are especially sensitive to issues of private benefit because of their overarching social objectives, reliance on philanthropy, and periodic requests for special regulatory consideration. Microfinance executives who have received windfalls from public offerings are especially controversial, potentially undermining the public's positive perception of microfinance.

The leaders of some MFIs anticipated these issues and adopted policies that limit how much employees and investors can benefit from their activities. For instance, Grameen Bank adopted the Bangladeshi government's pay scale, which keeps salaries quite modest. (A reasonably generous early retirement package ensures that new blood is always coming into the organization and that those who have served for more than a decade can move into second careers with a cushion.) The bank's founder, Nobel laureate Muhammad Yunus, has a simple lifestyle and owns no shares in Grameen companies, setting an example for the rest of the microfinance community.

From its inception, Grameen borrowers could purchase shares in the bank and today own more than 90 percent of the bank. For this reason, if the Grameen Bank ever held an IPO, most of the profits would go to clients. Many Indian MFIs have adopted some form of this ownership structure.

Cashpor, a commercial MFI in northern India, has taken an additional measure to stay true to its antipoverty mission: It uses at least one-quarter of its district-level profits to endow scholarships for the children of clients and to provide health care services. This use of profits made more sense than, say, giving bonuses to field officers or executives.

As Cashpor recently learned, limiting private benefit not only advances MFIs' social missions, but also gives them political cover. After Cashpor fired a politically well-connected loan officer for embezzlement, local elites filed a court case against the MFI. The lawsuit claimed that Cashpor was taking advantage of the poor because the organization charges interest. Because Cashpor uses part of its profits to fund health and education programs, though, local police say that the plaintiffs are likely to drop the case.

Holistic Performance Standards

Over the last decade, the microfinance movement has developed benchmarks for assessing efficiency and financial performance. The Microfinance Information Exchange (MIX) and the *Microbanking Bulletin* are constructive efforts to accelerate this important trend. Yet practitioners and investors still have no way to measure and compare the poverty-reduction track records of MFIs. Using indicators such as average loan size and repayment rates as proxies for poverty alleviation impact may be nearly useless, if not misleading. (For more on these metrics, see "In Microfinance, Clients Must Come First" in the winter 2008 issue of the *Stanford Social Innovation Review*.)

If microfinance is going to live up to its billing as a double bottom line business—that is, a business that charts both financial and social returns—MFIs must develop and agree upon robust measures of and standards for their social impacts. Social performance standards will also redound to MFIs' first bottom line by assuring that clients and their businesses are healthy in every sense of the term. Moreover, regularly measuring client progress will help MFIs focus innovation on lagging groups and regions.

The most straightforward measure of microfinance's social impact is clients' economic status. A relatively new tool for measuring this important outcome is the Progress out of Poverty Index (PPI), which the Grameen Foundation, the Consultative Group to Assist the Poor, and the Ford Foundation all champion. The PPI is a statistically robust, easily used tool that assesses the poverty levels of groups and individuals within and across nations. Using existing data from either national household surveys or the World Bank Living Standards Measurement Survey, the PPI allows MFIs to divide their clients into distinct poverty bands (very poor, moderately poor, and above the poverty line). MFIs can then use this baseline to monitor client progress. To date, almost 20 countries have PPIs, including Bolivia, Haiti, India, Mexico, Morocco, Pakistan, and the Philippines. (See p. 50 for Peru's PPI.)

Grameen Bank has always encouraged researchers to test its poverty-reduction performance. In the late 1990s the bank began using a 10-point checklist of easily observable indicators to measure its own progress. Among other outcomes, the checklist assesses whether a family has winter clothing for all members, saves money at a good rate, and sends all its children to school regularly. When families meet all 10 criteria, the bank considers them to have crossed the poverty threshold and be "nonpoor." Using this checklist, Grameen has tracked how many families with more than four years of borrowing experience have escaped poverty. For one cohort, the bank found that poverty rates dropped from 85 percent in 1997 to 37 percent in 2006.

Tracking outcomes and aiming to alleviate poverty have not prevented Grameen Bank from turning profits while operating in perhaps the most competitive microfinance market in the world. The bank's profits have allowed it to make higher education and housing loans widely available despite the fact that it charges interest rates—5 percent and 8 percent, respectively—that do not even cover the cost of capital. Profits have also let the bank offer beggars a subsidized loan program, which was reaching some 86,000 clients by late 2007.

Third-Party Certification

For many years, confusion reigned as consumers tried to figure out which products were organic or fairly traded. Once organizations developed credible certification criteria and companies adhered to them, consumers readily discerned their desired products—and paid premiums for them. Both companies and nonprofits then reaped the rewards of third-party certification.

A similar situation exists in microfinance. Investors have no way of knowing whether an MFI is actively and effectively working to alleviate poverty. When MFIs chart record-breaking returns, people question whether individual MFIs or even the entire sector is drifting away from its mission. Investors wonder whether they should continue offering resources, and governments wonder whether they should continue their regulatory support.

I propose that MFIs must receive objective third-party certification before claiming to be double bottom line organizations. Only groups with this third-party certification would have access to subsidized capital. I imagine that MFIs earning this certification would enjoy improved public relations, as well as financial and regulatory benefits. I also believe they would do a better job of pursuing, monitoring, and delivering social returns.

Designing certification criteria and organizing an overseeing body will require much thought and dialogue. But from Grameen's experience, I've identified four areas that merit

Poverty reduction and long-term business considerations reinforce each other.

inclusion: social performance, private benefit, consumer protection, and reinvestment of profits.

Social performance. A growing criticism of MFIs is that their pursuit of investment capital is leading them not only to offer fewer services to their clients, but also to exclude the world's poorest people from their client base. To curb this tendency, MFIs should agree to track and publish data on the percentage of the poor and the poorest among their entering clients, in addition to tracking poverty-reduction outcomes in the ways described above.

In the new model of microfinance, merely reporting on target clientele and impact trends would not be enough to retain certification. Instead, MFIs would have to ensure that a certain percentage of entering clients are below the poverty line, and that a certain percentage of clients overcome poverty within, say, five years. Of course, certifying agencies would take into account extenuating circumstances such as recent natural disasters, as well as regional variability.

Cashpor already measures its social performance with its housing index. This index uses the condition of borrowers' houses—usually their most important asset—to measure their financial well-being. The index first assigns scores based on a house's size, structural condition, and quality of walls and roof. It then uses cutoff scores to distinguish between the poor and those above the poverty line. With this index, the organization can easily exclude people who have assets above a defined threshold.

Private benefit. As discussed above, limiting private benefit would help make sure that profits mainly benefit clients directly (through lower rates) and indirectly (through product development). More importantly, it would enhance the public trust in microfinance and MFIs. MFIs seeking third-party certification would be required to cap overall compensation for senior staff and directors, as well as to limit the returns that IPOs or other liquidity-generating events would yield for executives. Furthermore, when organizations realize windfalls, such as through an IPO, they would have to divert a meaningful amount of these resources to qualified clients—say, those in good standing who have been involved for more than two years. Linking staff and director benefits to client benefits is another idea worth exploring.

Consumer protection. Accusations of MFIs expressing their fees in misleading ways or using unscrupulous collection practices are surfacing more often and undermining the public trust in microfinance. Most of these charges are untrue or exaggerated, but they point to the need to establish a clear code of conduct and reasonable monitoring and enforcement mechanisms. Although the Microfinance Network and other national bodies have made progress down this path, their efforts are not enough.

To be certified, MFIs would have to implement measures to protect consumers, such as disclosing interest rates and fees. They would also have to eschew unethical debt collection practices, such as seizing the assets of borrowers who are behind on their payments without providing reasonable means for rescheduling loan payments.

Profit reinvestment. When MFIs generate profits, they should have an obligation to allocate some portion of their surplus in a manner consistent with their overarching social purpose. Otherwise, they open themselves up to charges of maximizing profits at the expense of their social missions.

Certified MFIs would be required to reduce their interest rates when profits go beyond an agreed-upon threshold—even in the absence of competition. Alternatively, MFIs earning more than a specified level of profits could provide new products and services that address poor clients' needs, particularly those related to accumulating assets, promoting education, and social empowerment. Or as a third option, MFIs could refund profits to clients in the form of nonvoting shares, which would make clients minority owners of the organizations from which they borrow.

Ahead of the Curve

Some microfinance observers have argued that when MFIs rigorously pursue their social impacts, they put themselves at a competitive disadvantage because they sacrifice the short-term profits that many financiers expect. But this argument is misguided: Maximum poverty reduction and long-term business considerations are not only consistent, but also reinforcing. From a purely commercial perspective, the long-term viability of the microfinance business model requires political and regulatory support. If MFIs would protect consumers, limit benefits to staff and investors, and share their windfalls with the poor clients who arguably generated them, they would more likely win the support of politicians and government agencies. Moreover, increased competition with other MFIs will ultimately drive microfinance to be a high-volume business, rather than high-margin business. Encouraging MFIs to shift to that business model now will put them ahead of the curve.

Implementing this new model will not be easy. Increasingly, many MFIs want to strip down their product offerings to achieve higher levels of return on assets and to attract large amounts of capital. MFI executives who have received paltry

Measuring Microfinance

by DEAN KARLAN

Microfinance institutions target driven, spirited entrepreneurs. Their clients do not sit around waiting for handouts—the old style of development—but rather seek opportunities to better themselves and their families. Before entering a microfinance program, many clients are below the poverty level, and afterward many are above the poverty level.

But did microfinance cause these clients to rise out of poverty? Not necessarily. Because people who enter microfinance programs, by design, are entrepreneurial, they very well could have found some other way besides microfinance to better their lots. In other words, microentrepreneurs' ability to stitch together social networks, to weather market vagaries, or to create exceptionally clever businesses—not their receipt of a loan—may be what's behind their success.

And so the fundamental question of microfinance's impact is, "How are the lives of the participants different from what they would have been had they not received a microloan?" Answering the first part—"How are the lives of the participants different?"—is pretty easy. But answering the second part—the counterfactual "How would their lives have been different had they not received the microloan?"—is hard.

Measuring this counterfactual is evaluation's greatest challenge. And one of the best tools to meet this challenge is the randomized control trial (RCT)—the kind of study in which evaluators randomly assign some participants to receive a treatment (such as a microloan) and other participants not to receive the treatment. RCTs allow researchers to measure what would have happened had a program not existed. They also allow researchers to find out what modifications—such as pay schedules, lending group characteristics, or interest rates—lead to the best outcomes.

For example, many critics of commercial microfinance argue that MFIs charge such high interest rates that borrowers suffer more from getting the loan than they would have from not getting it. Yet few studies have tested whether this is true. Recently, my colleague Jonathan Zinman and I explored whether high annual percentage rates (APRs) indeed do more harm than good. At three sites in South Africa, we randomly assigned people whose loan applications had been rejected to receive either a 200 percent APR loan or no loan. About one year later, we discovered that people who had received the high-APR loans were 8 percentage points less likely to be below the poverty line than were people who had not received them. Although this is just one study in one place, for these people we showed that even high-APR loans help people more than they could have helped themselves without the loans.

Some people argue that randomized control trials are unethical because this method systematically excludes people from receiving a treatment. Yet no program can reach everyone. Moreover, less rigorous evaluations can lead researchers and organizations to endorse suboptimal programs, mislead donors, and waste resources while failing to maximize the well-being of as many people as possible. In the end, ethics demands that we have clear answers as to what works and what does not so that we can be as effective as possible in our future investments and grantmaking.

RCTs also make good business sense. In the United States, for-profit consumer firms use RCTs to test their marketing, pricing, product placement, and design. Microfinance organizations can and should use the same methods to improve their operations, maximize their impact, and improve their sustainability and profitability. Thus randomized trials should not be seen as research *vs.* operations, but rather as research *for* operations.

DEAN KARLAN *is a professor of economics at Yale University, where he studies everything from microfinance, to charitable fundraising, to commitment contracts for smoking cessation. He also serves as president of Innovations for Poverty Action, co-director of the Financial Access Initiative, and co-founder of www.stickK.com.*

salaries for years are tempted by the prospect of becoming wealthy in the wake of public offerings. Some investors in microfinance are loath to acknowledge the trade-offs between short-term profit maximization and social impact. And the public is willing to accept anecdotes in place of data as evidence of microfinance's relevance. "In social change, the easiest person to deceive is yourself," says Paul Maritz, a former senior executive at Microsoft Corp. and board chair of the Grameen Foundation.

Still, the benefits of microfinance realizing its two bottom lines are real, and the pathway to doing so is reasonably clear. A first step is to see past the false choice between pro-poor and commercial microfinance. Whether in the economic, political, or scientific spheres, false dichotomies lead to stale debates and suppress creative thinking and action. Looking to the founding principles of microfinance, but reimagining them according to the principles of all successful, long-term commercial endeavors, will lead this important and ever-improving antipoverty strategy to be a major force in creating a more just world. Microfinance will not by itself put "poverty in a museum," as Yunus once said. But with a forward-looking strategy that builds on these promising new ideas and practices, microfinance will play a major role in realizing this breathtaking vision. □

1 For an excellent description of this approach, see Marge Magner's paper "Microfinance: A Platform for Social Change," which is available in English and Spanish on the Grameen Foundation Web site. Magner headed Citigroup's consumer bank until her retirement in 2005.

2 "Poor" generally refers to those who make less than their country's national poverty line, and "poorest" to those in the bottom half of those under the poverty line.