Curuguaty is a Paraguayan town in the eastern department of Canindeyú. If you’ve heard of it – which you almost certainly haven’t – it’s probably because its population, which is poor and mostly rural, has been surveyed and plotted on a map using Fundación Paraguaya’s color-coded ‘Poverty Stoplight,’ an innovative poverty measurement tool that has helped nearly 18,000 families overcome economic poverty since the program began in 2010.

But is it a measurement tool or a poverty-elimination strategy? It is both. In a Huffington Post article titled “Measure? Alleviate? No, Eliminate Poverty,” Elisabeth Rhyne writes, “The beauty of Fundación Paraguaya’s concept, christened Ikatú (“Yes we can” in Guaraní), is that although it starts out like a poverty measurement program, it turns into a much more important poverty reduction program.”

The man behind it all is Fundación Paraguaya’s founder Martín Burt. He contends that new methodologies and technologies are needed to address seemingly intractable poverty issues. The Poverty Stoplight is such a tool. In Burt’s words, it uses cheap, easily available technology to help people understand complex poverty problems, to simplify previously cumbersome processes and to implement effective poverty elimination strategies.

Assisted by a group of local business and civil society leaders and by Accion’s very own Steve Gross and Bill Burrus, Burt started Fundación Paraguaya in 1985. It was Paraguay’s first microenterprise development program. The organization provided loans and training to help the poor in the informal sector increase their family income, strengthen existing jobs and create new ones. The idea worked. But like similar programs in Latin America, Fundación Paraguaya dedicated its early years to achieving financial self-sufficiency. Doing so required the adoption of what some refer to as a minimalist strategy: focusing solely on providing access to credit rather than the integrated strategy of urban and rural development programs that were complex, costly and time-consuming. The underlying assumption was that financial services would help clients increase their incomes and that they, in turn, would take care of the rest. As long as clients were repaying their loans, Fundación Paraguaya considered their knowledge and skills sufficient to manage their microbusinesses.

But Burt wasn’t happy with his institution’s minimalist approach. “We are one of the very few Latin American microfinance institutions that has not become regulated financial institutions. And that is because Fundación Paraguaya is dedicated to social innovation and social entrepreneurship. We believe our role is to develop and disseminate new methodologies to eliminate poverty.”

**THE IDEA IS BORN AT SCHOOL**

Burt was convinced that if Fundación Paraguaya invested in education, he might be able to help the next generation of Paraguayans overcome poverty. So in 1995 he brought nonprofit Junior Achievement’s model of deploying trained volunteers to elementary and high school classrooms to deliver an entrepreneurship-focused, hands-on curriculum. The program proved to be
Happy Families

“Happy Families” are all alike; every unhappy family is unhappy in its own way. This realization that the said for poverty: every family has its own poverty is the tricky part. You would be hard-pressed to understand the ways in which each family is poor. You define what it means to be poor, quantify all of it, and then come up with an exit strategy.

Burt and his team organized poverty indicators, such as jobs and access to water, into six dimensions: 1) income and employment, 2) health and environment, 3) housing and infrastructure, 4) education and culture, 5) organization and participation, and 6) instability and motivation. They also identified three conditions for each poverty indicator (not poor, poor, and extremely poor, assigning to each the corresponding colors green, yellow, and red). Because Fundación Paraguaya’s students’ families and microentrepreneur clients were mostly financially illiterate, a photograph was included to represent each condition in the local context. For example, to represent the three possible conditions for access to water, the survey respondents could look at a picture of a woman carrying a bucket of water (extremely poor), a well outside her house (poor), and a faucet at home (not poor). They could then quickly identify which best represented the family’s situation.

Burt explains that the approach of his Poverty Stoplight accommodates the following four propositions: First, poverty has many more dimensions than insufficient income. Second, poverty doesn’t affect families uniformly; each family has a different set of poverty-related problems to resolve in order to exit poverty. Third, the main protagonists in eliminating poverty must be the poor themselves. Institutions, however far-sighted or well-funded, do not have sufficient insight into the poverty-related problems of individual families or sufficient resources to permanently eliminate poverty on their behalf. Fourth, a poverty-elimination strategy must be scalable, which means that it must cost very little to implement and, ultimately, must be financially self-sustaining.

After completing the 20-minute, 15-question survey, Fundación Paraguaya’s loan officers and San Francisco Agricultural School teachers then work with the client’s information to develop a specialized package of services to address their specific poverty-related problems. Typically, the first task is to help the client develop a business plan and apply for a microcredit loan. Burt says the national poverty line ($1.35 per day) was determined by a board of experts in Paraguay. That might include a microbiologist for another family’s microfinance by selling certain products, such as reading glasses and over-the-counter pharmaceutical products, that Fundación Paraguaya is working to turn into client microfinance opportunities.

So it was essentially through the creation of a local guarantee fund that has left an indelible mark on the course of economic development and touched the lives of hundreds of millions of people.

WHEN AND HOW DID YOU COME TO ACCION?

Accion made its first microloan 40 years ago. Nobody thought it would be such a big deal.

If, after hearing about Bruce Tippet’s account of his work with Accion in its early days, you were to ask us who invented microfinance, we would most certainly say that was you. Today, after that momentous endeavor, he explains the genesis of a movement that has left an indelible mark on the course of economic development and touched the lives of millions of people worldwide. But when we started to do something else, there was a good deal of resistance on the part of these local organizations. So when it came time for us to think about experimenting with microcrediting, neither Ação Comunitária in Rio nor in São Paulo was willing to take the risk to try it out under their umbrella. Most people thought we were completely nuts to try to loan money to poor souls in jobless. So we decided to go to Recife, which was high-profile in the international development community.

WHAT WAS YOUR ROLE?

I was executive director of Aliança Brazil when we decided we were going to provide consultancy and assistance to other organizations. We didn’t invent microfinance in the same way that we ran Accion. We had a local board composed of business leaders, some of whom also served on the boards of the Aliança Comunidades. We also looked for support from foundations and others, and had two sources of income: one was contract income, such as from OFC, and we also had strong interest from OFC and other foundations in international development.

IS THAT THE FUNDING THAT YOU USED FOR THE FIRST LOANS IN RIO?

No, it was used for loans. In Recife we set up a nonprofit organization called UNO. UNO received funding from local business sources, and we also worked hard to get financing internationally to cover most of the operating costs, but not the loan funds. We were able to get key backing from a couple of foundations. And we had some experience in creating guarantee funds, through OFC. What Aliança did was set up a fund on paper, anyway, which guaranteed 80 percent of the loans that we made. We got few loans and we had to commit to two things: They committed to provide funds for their own operations, and a portion of those of microentrepreneurs, and they agreed to put up some of their own money for the guarantee fund. So, in part, they were guaranteeing their own loans. The guarantee fund formally guaranteed all loans of UNO’s portfolio. So we convinced local bankers to put up their own credit in order to support an operational program. We never used international funds to provide credit. It was all done with local resources.

SO IT WAS ESSENTIALLY THROUGH THE CREATION OF A LOCAL GUARANTEE FUND THAT YOU WERE ABLE TO START MICROBENEFITING?

It was a big deal at the time, and it was very important because we had developed a program that was not simply providing money to the poor, but also providing a business plan for the poor. It was a new idea. The President of a bank could say to his board, “We have our guarantee for this special microcredit program, so we won’t end up losing our share.”

We did a survey in about five low-income communities in and around Recife. We met all of the local organizations and all of the microentrepreneurs in those communities. You know, we were very good at training local microfinance workers, so we trained the initial group of field workers to research and develop the program, and we continued Maricato Camurça, who had been the operational head of a small farmer credit program in Brazil, to come to Recife. He became the first executive director of the UNO program. He stayed with us until it essentially closed down, in about 1990. By the way, UNO was organized into a fully self-sufficient microcredit program originally assisted by Accion.

Bruce Tippet, the father of microcredit

PAGE 2

A SPECIAL FEATURE

Happy Families CONTINUED

A LESSON FROM TOOLTOWN

A new survey aimed at understanding the nature of poverty has many more dimensions than insufficient income. Second, poverty doesn’t affect families uniformly; each family has a different set of poverty-related problems to resolve in order to exit poverty. Third, the main protagonists in eliminating poverty must be the poor themselves. Institutions, however far-sighted or well-funded, do not have sufficient insight into the poverty-related problems of individual families or sufficient resources to permanently eliminate poverty on their behalf. Fourth, a poverty-elimination strategy must be scalable, which means that it must cost very little to implement and, ultimately, must be financially self-sustaining.

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IN THE STREETS & MARKETS

United States

Latin America

Brazil

China

Worldwide

Worldwide

W hen luck knocks on your door, you have to let it in. And it happened for Benita Sanabria, when longtime Accionista and board chair Burt B. Burt told her in the late seventies, when longtime Accionista and board chair Bob Helander told his colleague, Nancy Sherwood Truitt, “You’ve gotta learn about this organization.”

Nancy joined Accion’s board of directors in 1981. By then, she had achieved a successful career in international development policy, raised twin boys with her husband George Truitt and Founded Truitt Enterprises, Inc., a development consulting company. As a result of her work with multilateral institutions and funding think tanks, and the research that took her around the world – including a stint in Bolivia and another working alongside renowned economist Hernando de Soto – Nancy crossed paths with Accion repeatedly. Something about Accion caught her attention: Accion was helping to establish Bolivia’s Bancol, the world’s first commercial bank dedicated solely to serving the needs of microenterprises.

Nancy served on Accion’s board of directors from 1982 to 2007 and was chair for more than a decade. And she is still a member – and is still very much engaged in Accion’s work. But her contributions go beyond her leadership through her lifetime, through her membership in the Pacific Société – Accion’s legacy gift program. Her dedication is forever enshrined in the critical decision she helped Accion make during her years on the board: steps as bold as to expand our operations to new countries and to change our credit-focused model to build our clients with other important financial tools, such as savings and insurance.

Happy Families

burned their trash in her yard. Fundación Paraguaya staff asked why that was the case and realized that people had a reason to do so because of lack of motivation and insufficient knowledge about health hazards. They worked with her on this, eventually convincing Benita’s husband to use his knowledge about health hazards. They learned from the group are captured, synthesized and shared with our field staff and partners to learnings and results of the project, which trained 63 institutions attended the closing seminar to discuss the lessons and results of the project, which trained 62,000 microentrepreneurs, acquired 350,000 credit clients and retained 1,800 banking agents and 270 mobile agents. Participants received a tablet with 33 key documents in Spanish.

With the support of Citibank, over the last year Accion has been hard at work to improve the adaptation of microfinance and the Roadmap to the Chinese context through the development of a core group of partner microfinance institutions, supported by regional training and capacity building. The expansion seeks to replicate our existing model in 12 provinces.

Our expansion strategy in China, known as Our expansion strategy in China, known as Our expansion strategy in China, known as "Learning Circles" to Accion’s two offices in Manaus routes on a city map in one of the streets and markets.

The Center for Financial Inclusion at Accion recently announced the launch of the Roadmap to Financial Inclusion, a series of recommendations designed to expand access to quality financial services globally. The Roadmap is a point of focus for the 2013 conference at the 2013 conference at the 2013 conference in Manaus, Brazil. The conference, which will bring together over 1,500 local businesses to participate in the Roadmap to Financial Inclusion, will take place in late October, 2013–2014.

Download the report and read the Roadmap at www.centerforfinancialinclusion.org/cfirc/STARTING MICROFINANCE  //  FALL-WINTER 2013-14

“Accion’s two offices in Manaus are working on a new project to create a new community of practice and a new community of practice and a new community of practice.”

SEEING THE INVISIBLE

ATTENTION: Like this one in Manaus, Brazil, this may be the only one at this, but understanding their uniqueness is the first step in offering financial access to their microbusinesses.

TRAINING AND CAPACITY BUILDING

ANY MEMBER PROVIDES THE NEW TRAINING CIRCLES TO ACCION’S COLLABORATORS IN WASHINGTON, D.C.

ENDNOTES:

1. The project was awarded Accion a U.S. $150,000 grant to support the adaptation and contextualization of training and capacity-building material to the local environment and local language.

2. In addition, we have launched Bankers Without Borders, a small-business banking community. To deepen our understanding of the needs of small businesses in China, we’ve established two offices in Beijing and Shanghai.

3. The project was awarded Accion a U.S. $150,000 grant to support the adaptation and contextualization of training and capacity-building material to the local environment and local language.
n their way back to Colombia from their honeymoon in Kus de Janeiro several years ago, Liza Gurmín and husband Mario trolled the streets and bought themselves sweet treats at the airport for 72 hours. Their airline had gone bankrupt and all its flights were cancelled. They spent their days in every direction, crowding restaurants and museums. Among the tourists, Liza noticed a woman who seemed especially lost. The woman was on her way to Bogotá—just like Liza and her husband—so Liza took her under her wing and helped her get a ticket and a vegetarian meal. Once they arrived in Colombia, they exchanged pleasantries and went their separate ways.

Before getting married, Liza had just finished a master’s degree in social planning and development in Brisbane, Australia. During her studies she learned about Accion and fell in love with the organization, hoping that one day she’d be able to work at Accion’s hub office in her native Colombia. While her professional background was in investment banking, Liza wanted to dedicate herself to the type of work where she could see the immediate, positive result of her work in people’s lives. So after the turbulent return from her honeymoon, Liza applied for a job at Accion. She was turned down. She didn’t have the field experience she needed to work in operations. So she applied again, and again. Over the course of the next two years, Liza would apply for several positions at Accion, not getting up on shortlists for very long on her native Colombia’s lives. Realizing that she just needed a foot in the door, she sought a job in Accion, not giving up on her dream to do work that would truly touch people’s lives. Eventually, Liza was invited for one final meeting with the head of investments. After a couple of preliminary interviews, Liza was offered a job at Accion’s investments department. She took her under her wing and helped her get a ticket at the ticket counters while many slumbered on floors, using her experience as a teacher to exchange pleasantries and go their separate ways.

Liza explains. “Missing hours of work meant losing income, so saving was expensive for them. You and can exchange pleasantries and go their separate ways.”

She was also invited to join the conference room and the interviewer stood up from her chair, extended a friendly handshake to Liza and invited her to sit. “We need to know about you. Two years ago you helped one of my employees from India get to Bogotá.”

Today, six years later, Liza is a vice president in charge of Accion’s savings project in Latin America, leading a team of more than 100 employees and helping Microlink lenders, the group she started, grow to more than 140,000 outreach points. She has seen her experience grow from a teacher in Colombia to a business leader in one of the world’s leading microlending organizations. Her success story is a testament to the impact that Accion’s savings project in Latin America, along with savings programs across the world, can have on individuals and communities.

**Good Karma and Perseverance**

WHEN A RANDOM ACT OF KINDNESS (AND HARD WORK) PAYS OFF IN COLOMBIA

WHEN A RANDOM ACT OF KINDNESS (AND HARD WORK) PAYS OFF IN COLOMBIA

**SUCCESS STORY**

And You Eat It?

**HOW UDONGO PEMBA IS SUPPORTING A BUSINESS AND MANY MARRIAGES, IN TANZANIA**

innovative entrepreneurs can be found everywhere. Indeed, visiting them is the best part of our work at Accion.

But just when we think we’ve seen it all, we have to step back and re-calibrate our expectations and appreciation, whether for an Ecuadorian mask-maker (Bolivian, political activist, national building….) or a Peruvian builder of portable spas, or a Colombian whose educational pensions come with moving parts to illuminate the issues—think Pinocchio with detachable donkey ears and tail.

Our current favorite is Hudía Haruna Ally, a 40-year-old Tanzanian mother of seven. Hudía sells udongo pemba, a rare and special nutritional supplement, rich in iron and other minerals and much prized by pregnant Tanzanian women.

A client of Accion partner Akiba Commercial Bank and now on her third loan for 3 million Tanzanian shillings ($1,800), Hudía runs her business from a modest compound in the Lola-Boma neighborhood of Dar es Salaam. Seven years ago, trading on experience as a food vendor, she came up with the idea of supplying udongo pemba wholesale to area shops. By the end of the week, she had spent three weeks there and returned home.

Today, able to leverage Akiba loan capital to buy in greater bulk, she makes the arduous journey less frequently—from every two months to once every two months. By selling udongo pemba every day—depending on the size of the bag, they sell to retailers for 8,000–10,000 TZS ($5.00–$6.25). The recommended daily dose—five times a day—adds much out. Business was booming. She had ordered in pairs from Kili to Kili, sending shipments of the supplement away.

The news was positive—Akiba planned to move Hudía from the group to an individual loan, which would qualify her for larger amounts. As she answered a cell phone ringing to the tune of “We Wish You A Merry Christmas,” she sat back down on the hard-packed earth with a smile, hiked up her long skirt, and began shaping more of the magic earth into chunks. And, you udongo pemba tastes like dirt— but lemon flavored.

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**ESSENTIAL MINERALS**

Hudía Haruna Ally makes and sells udongo pemba, a local traditional supplement popular among pregnant Tanzanians.

**Brazilian Reforms for the Poor: An Interview with José Paulo Kessel**

What was your reaction when some of the leaders of the wave of successful microlending organizations in Brazil (MFI) came to you and said that the impact of microfinance on poverty reduction is limited and that the impact of the sector is not sustainable? It is a difficult thing to deal with. How did you react?

My first reaction was that this was not the case. In fact, what was happening in Brazil in the mid-1980s was a very different situation compared to the situation today. At that time, there were very few MFI institutions and the government was not very supportive. Today, the situation is very different.

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Planned Giving: The Recife Society

YOUR SUPPORT CAN MAKE A LASTING CHANGE FOR GENERATIONS TO COME

You can leave a legacy of hope and empowerment for millions of people living in poverty worldwide. By making a legacy gift to us, such as naming us in your will or trust, you join a special group of friends known as the Recife Society. Named after the city in Brazil where we made the very first microloan in 1973, the Recife Society continues the tradition of helping hardworking people build better lives for themselves and their families.

Learn more about this dedicated group of supporters. Call or email us: +1 617.625.7080, plannedgiving@accion.org.

“...because I think it’s an important way of making sure I give totally, and it’s over my lifetime.”

NANCY SHERWOOD TRUITT
RECIFE SOCIETY MEMBER SINCE 2005

Donations to Accion help strengthen businesses and families all over the world, like the Albuja family of Ibarra, Ecuador.