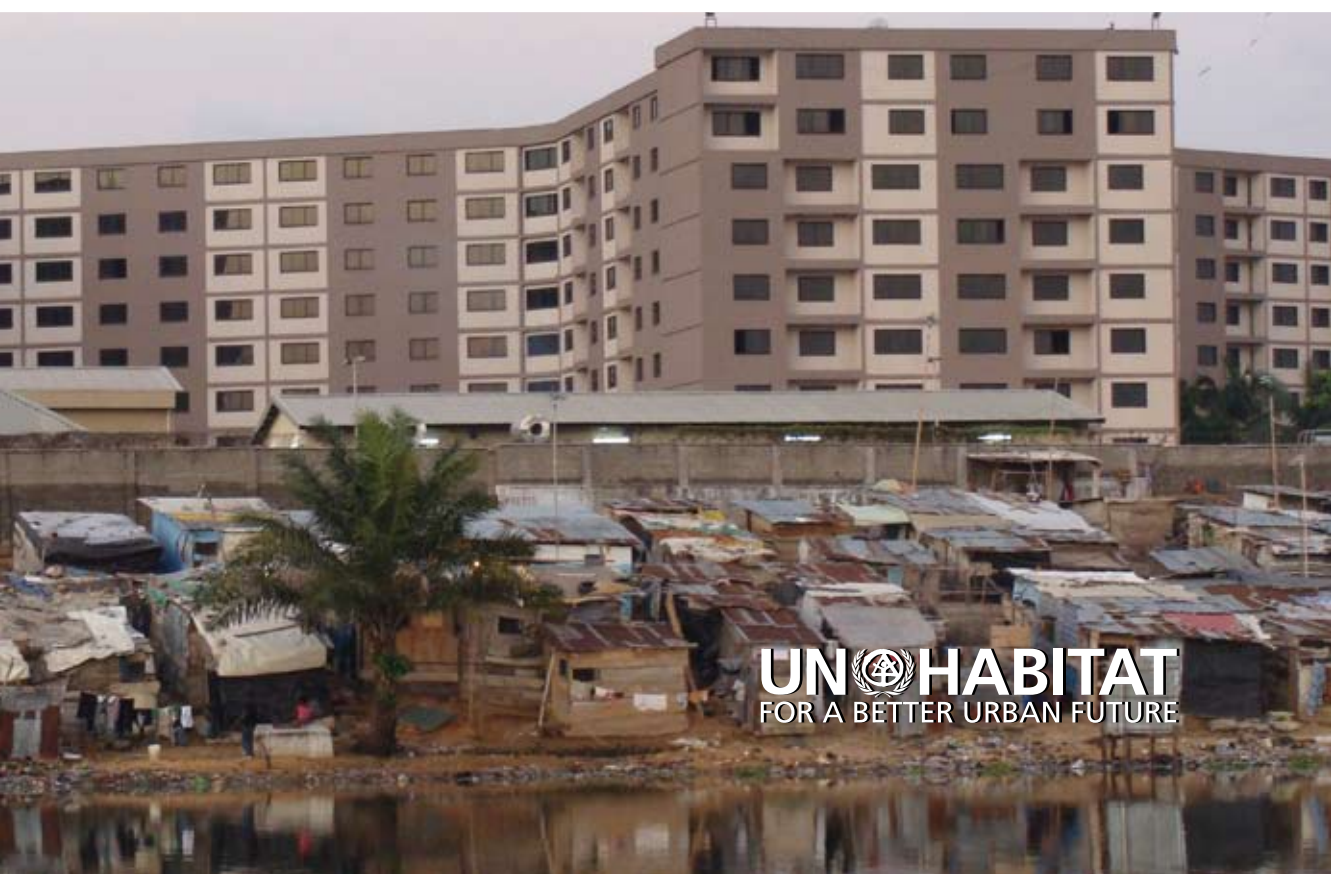




# **MICROFINANCE, POVERTY REDUCTION AND THE MILLENNIUM DEVELOPMENT GOALS**



**UN HABITAT**  
FOR A BETTER URBAN FUTURE

# **MICROFINANCE, POVERTY REDUCTION AND MILLENNIUM DEVELOPMENT GOALS**

United Nations Human Settlements Programme  
Nairobi 2011

**UN**  **HABITAT**

## **The Global Urban Economic Dialogue Series**

Microfinance, Poverty Reduction and Millennium Development Goals

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## FOREWORD



Urbanization is one of the most powerful, irreversible forces in the world. It is estimated that 93 percent of the future urban population growth will occur in the cities of Asia and

Africa, and to a lesser extent, Latin America and the Caribbean.

We live in a new urban era with most of humanity now living in towns and cities.

Global poverty is moving into cities, mostly in developing countries, in a process we call the *urbanisation of poverty*.

The world's slums are growing and growing as are the global urban populations. Indeed, this is one of the greatest challenges we face in the new millennium.

The persistent problems of poverty and slums are in large part due to weak urban economies. Urban economic development is fundamental to UN-HABITAT's mandate. Cities act as engines of national economic development. Strong urban economies are essential for poverty reduction and the

provision of adequate housing, infrastructure, education, health, safety, and basic services.

The *Global Urban Economic Dialogue* series presented here is a platform for all sectors of the society to address urban economic development and particularly its contribution to addressing housing issues. This work carries many new ideas, solutions and innovative best practices from some of the world's leading urban thinkers and practitioners from international organisations, national governments, local authorities, the private sector, and civil society.

This series also gives us an interesting insight and deeper understanding of the wide range of urban economic development and human settlements development issues. It will serve UN member States well in their quest for better policies and strategies to address increasing global challenges in these areas



**Joan Clos**

Under-Secretary-General, United Nations  
Executive Director, UN-HABITAT

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## ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
ADRA	Adventist Development and Relief Agency
ASA	Association for Social Advancement, Bangladesh
BRAC	Bangladesh Rural Action Committee
CGD	Centre for Global Development
CoDASED	Committee of Donor Agencies for Small Enterprise Development
CGAP	Consultative Group to Assist the Poorest
DFID	Department for International Development
GEESHIM	Groups dedicated to Gender, Enabling Environment, Savings, Skills, Health, Institutional Development and Microfinance)
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HUDCO	Housing and Urban Development Corporation Ltd
IBLF	International Business Leaders Forum
MDG	Millennium Development Goals
MED	Microenterprise Development
MFI	Microfinance Institution
NGO	Non-Government Organisation
ODA	Official Development Assistance
OUP	Oxford University Press
PKSF	Palli Karma Sahayak Foundation, Bangladesh
PPP	Public Private Partnerships
SME	Small and Medium Enterprise
UK	United Kingdom
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
WEP	Women's Empowerment Programme

# FOREWORD

The links between microfinance and the Millennium Development Goals must be emphasised because both spheres overlap in the crucial domain of worldwide poverty reduction. The overlap is such that one could argue that progress on Goals is conditioned on the opportunities microfinance can open up for the poor. Likewise, closer attention to microfinance outreach to the poorest of the poor would accelerate progress.

The deadline for the achievement of the United Nations Millennium Development Goals, 2015, is fast approaching<sup>1</sup>. If microfinance has anything of significance to contribute, now is not too soon to ensure that this potential is realised. This report highlights those areas of microfinance that can be geared to the Millennium Goals.

The current debate among academics and microfinance professionals on whether or not microfinance has made a difference to the lives of poor people<sup>2</sup> is active, and even heated, with some wondering whether microfinance is good for the poor. This would come as a surprise to the millions of poor people in virtually every developing country who benefit

If microfinance is to accelerate Millennium Goal achievement, the degree and nature of donor and public sector support for microfinance must change. Where adequately resourced, properly designed and carefully targeted, microfinance can add a significant amount of amount on its own. However, reforms are needed if microfinance is to meet the needs of the extreme poor, too. In particular, public-private partnerships (PPPs) would ensure adequate resourcing and targeting. Donors have a special role to play, and a comparative advantage, in the gearing of microfinance to Millennium Goals, including: taking care of any Goal-specific product and service design expenses, as well as of client and microfinance professional training. Together with client welfare services that are a prerequisite to active involvement in credit-based transactions, addressing those microfinance programme expenses that should not fall onto the shoulders of the poor, especially not the poorest of the poor.

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