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The relationships between microfinance and philanthropy are diverse and complicated, as these two thoughtful papers reveal. Over the past few decades there have been multiple experiments in microfinance, and perhaps one of its attractions as a policy for alleviating poverty is that it may be adapted to suit varying needs of different individuals and groups. At the same time, there is no question that there are many challenges to instituting a viable model. Moreover, the subsequent goal of "graduating" (Daley and Sautet 2005) individuals from microfinance schemes to the world of standard finance is, or ought to be, the ultimate objective, but it also remains the chief practical challenge. The role of philanthropy in achieving these things, as these two papers show, may be either enabling or limiting. How should we decide which it will be?

Both Heather Wood Ion's paper and Emily Chamlee-Wright's raise many important points concerning the promise and problems associated with the philanthropy of microfinance. They provide two contrasting but in some ways complementary visions of it. One is extremely optimistic—indeed celebratory. The other is chastened and ambivalent. Partly, this has to do with the respective scope of each paper. Ion highlights a single case of a highly successful microfinance savings program and suggests ways in which philanthropy can be employed to finance the promotion of the ideas supporting it to replicate that single successful model. Chamlee-Wright's analysis takes a broad view of the microfinance world, a world composed of many models of savings and loans which have achieved differing levels of success. For the most part, she focuses on standard programs that employ NGO models of lending, where donors provide credit to the poor as an initial investment, or as the only investment, to finance the programs.

In one author's vision, philanthropy provides support for the dissemination of information and knowledge. In the other's account, it provides financial resources for loans or subsidized lending rates. Each account encourages us to think through the components of this institution and its application, and each serves to raise questions about the prospects for successful, strategic investment in the future. Together, they help to reveal some of the conditions necessary for a successful model of microfinance, and they suggest how philanthropy might be used appropriately to create them. Crucially, the papers also point to cautionary lessons for philanthropists engaged in microfinance programs.

Seeking Transformations

Ion's paper, like the institution she describes, is creative and perceptive. She raises the perennial concern of many nonprofits, namely how to measure success, but more importantly she asks what constitutes success. What is or ought to be the goal of a successful nonprofit program? Going beyond the usual easy-to-measure (but ultimately unhelpful) "inputs and outputs" model of transactions, Ion notes that what is most important and exciting about some of the work she cites is its dynamic (hence the dancing metaphor) *transformative* quality. Moving from illiteracy to literacy, from poverty to prosperity, or at least to some measure of self-sufficiency, involves a total change that takes place at the level of the individual's very identity. Participants in the WORTH program in Nepal, she notes, learn how to be (or to become) different kinds of individuals. She says:

> When we look at WORTH as a model of transformation, what is most striking is that the participants manage to change their view of themselves within a highly unfavorable environment. . . . Most exciting is that the women view themselves as having the ability to give—they realize that they have knowledge and a story to tell. They are *transformed* from being defined as "the poor" or "in need" or recipients, into givers or teachers of a successful model and generative experience.

This personal transformation is realized through entrepreneurial business activity in the first place, and only secondarily and indirectly through philanthropy. Note that in Ion's model, philanthropy helps promote the storytelling of successful entrepreneurs in an effort to spread the good word, to encourage others to follow suit. The philanthropic end is to replicate the model across the world's poor as members of successful programs present themselves as examples for emulation to other poor, uninitiated potential entrepreneurs. Philanthropy here seems to be concerned less with investing to provide resources for funding entrepreneurial projects than with promoting broad transformation. Funding for WORTH programs comes from savings made by the participants themselves, so the project is self-financing. (Ion mentions a couple of people who have overseen the project, but it is unclear whether they have offered advice or seed capital or simply reported on the project.) Participants in the program do not see themselves as recipients of any sort. As Ion emphasizes,

> This model is in direct contrast to traditional approaches to philanthropy, which create dependence and are episodic in their focus on a specific "problem" and its solution. In this model, there is no presumption that some external expert or institution will "solve" the individuals' problems or judge the local needs and initiatives.

Ion thus begins to point us toward the importance of local initiative, a need echoed throughout Chamlee-Wright's piece. As C. K. Prahalad explains in his book, *The Fortune at the Bottom of the Pyramid* (2005, 292-294, especially 294), most of the problems in microfinance have to do with the institutions' focus on credit, which sets up all the wrong sorts of incentives and attitudes, such as those Chamlee-Wright describes. By contrast, the WORTH program is a savings program, a kind of self-help group that members actually buy into. For any microfinance program to work, Prahalad says, at a minimum there "must be some level of saving (preceding credit) to avoid donor dependency (ibid) 294)." Incentives matter. Thus, the WORTH program is established by a group of people who already share a common set of commercial values from the start. They are not grateful recipients of outside investment by some philanthropic entity. They are accountable to no one but themselves. More importantly, they do not need to be liberated from a set of circumstances and a mindset that promotes dependency. Through the WORTH system they come to understand and appreciate the workings of the commercial banking system that their program works within. What matters in the end is local knowledge and local accountability.

Reaching the Poorest

Conversely, Chamlee-Wright tells us about a number of groups of individuals who lack money and such a perspective. They have neither autonomy nor the kind of knowledge that would be needed to participate within the larger commercial network of institutions. What's more, they are unlikely to acquire these because the donors approach the recipients with a type of "social services mission" that helps to propagate the client's dependency. Oftentimes such limitations are further reinforced by an inhospitable institutional environment (e.g., over-regulation, insecure or no property rights backing loans or investments). Chamlee-Wright mentions some recipients who are too poor to contribute to any sort of savings program. These are the poorest of the poor, the kinds of people Prahalad refers to as being at the "bottom of the pyramid." They have been recipients of much aid in the form of unsecured loans because there is a moral belief (as a matter of fairness) among the donor community that if one is to help the poor, the poorest of the poor must be the guiding standard by which help is given. Moreover, as a standard of efficacy, as Chamlee-Wright says, there is the belief that this is where donors can get the biggest bang for their buck. As Chamlee-Wright explains:

> Given that the microfinance movement emerged out of an NGO environment, it is not surprising that most of the organizations offering microcredit have a social service orientation. This non-corporate corporate culture is perfectly appropriate for many organizations working with the poorest clientele, many of whom lack even the most basic literacy and bookkeeping skills. This third-party system, however, is clearly not the most appropriate orientation for organizations serving experienced entrepreneurs and people with significant savings and investment capacity.

Giving microcredit to the very poor may be the only way to help them, in one sense, because they lack any capacity to save. However, the implications of the analyses presented in these papers appear to call into question whether philanthropic microfinance credit programs are a useful tool for the world's very poor if the goal genuinely is to alleviate poverty. They may not be. Instead, other kinds of programs may be more suitable, and further analysis needs to be done to answer this question definitively.

As compared with Ion's, Chamlee-Wright's account is one that focuses more on the institutional environment and the economic incentives that flow out of microfinance programs, and less on the kinds of characters that successful and unsuccessful microfinance schemes produce. But in the end, Ion and Chamlee-Wright agree on what is needed from philanthropy. Chamlee-Wright says,

> The guiding principle for the donor should not be primarily to provide

> services to a particular known group but rather to create the first, crucial connection that spontaneously generates many more connections. By assisting a promising startup, the aim is to create a demonstration effect that inspires others to follow. By subsidizing promising innovations, the aim is to spread new ideas that reduce the cost and improve the effectiveness of microcredit services.

Moreover, the donor community can help to secure the institutional environment by providing a secure political-legal system, one that is transparent, avoids corruption, and secures private property rights so that investors will feel confident about their investments. But if the donors go beyond these things, they will probably do more harm than good. At the very least they will squander the opportunities that ventures such as the WORTH program are providing the poor.

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