

# Stanford SOCIAL INNOVATION REVIEW

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## **Crowdsourcing Microfinance** By Kathy O. Brozek

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## Crowdsourcing Microfinance

The Grameen Foundation's Bankers Without Borders initiative applies skills-based volunteering to poverty alleviation **BY KATHY O. BROZEK**

WHAT HAPPENS WHEN crowdsourcing is applied to the microfinance sector? Bankers Without Borders, an initiative of the Grameen Foundation, has embraced crowdsourcing—the process of leveraging a large group of people to take action on a project—to develop its volunteer corps. Crowdsourcing has succeeded mostly for technology-focused organizations: Wikipedia has used it to build an online encyclopedia, and Unix has deployed it to develop open-source computer systems. Yet translating it to microfinance had never before been done.

The Grameen Foundation opened in 1997 to support and grow the microfinance sector. It was inspired by the success of Grameen Bank, which provides microcredit to the rural poor in Bangladesh. For years, the foundation relied on an ad hoc approach to working with volunteers. But with the growing interest in the microfinance sector, the volunteer program became unwieldy. In November 2008, outside funding from J.P. Morgan enabled the foundation to launch a pilot volunteer program, naming it Bankers Without Borders. Alex Counts, the foundation's CEO, saw an opportunity to replicate the way some corporations inspire customers and others to take action on behalf of a corporate mission.

The premise of Bankers Without Borders is that a critical mass of skilled professionals, if strategically placed, can reduce costs and help microfinance institutions (MFIs), social enterprises, and the Grameen Foundation itself operate more effectively to alleviate poverty. "It's time for nonprofits to follow the lead of the commercial sector, which is so successful at mobilizing people to promote its products and brands on essentially a voluntary basis, often using social media," says Counts. "We hope to mobilize thousands to use their professional skills to help the world's poor rise out of poverty."

The Grameen Foundation's initial goal was to have 300 professionals with finance or other business expertise register to apply for assignments in the microfinance sector—both within and outside the Grameen Foundation—by March 2010. But the number of volunteers exceeded 3,000 by that date without a promotional campaign. By the end of 2010, the database swelled to more than 5,600 registered volunteers, from which 440 volunteers were selected to work on more than 150 microfinance projects. Almost half of the volunteers deployed through 2010 came from the United States and about a quarter from Asia. J.P. Morgan has committed an additional \$3 million to the initiative through early 2013.

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Jamie Dunchick (far right), a J.P. Morgan employee, observes a borrower meeting in India.

### NEW ROLE FOR VOLUNTEERS

Bankers Without Borders' success in scaling can be attributed to several factors, but there has been one essential element: redefining the role of volunteers. "Many nonprofits think of volunteer management in a stovepipe, where volunteers are supervised by one designated manager," explains Shannon Maynard, the initiative's director. "With skills-based volunteering, that simply won't work—we teach the entire organization how to be volunteer managers."

Rethinking volunteerism meant that Bankers Without Borders had to be nimble, similar to a start-up company. The Bankers Without Borders staff constantly asked themselves: What will make the entire process efficient? What will allow the program to scale up? What time commitment will attract volunteers and still produce substantial results?

The Bankers Without Borders staff helps project managers at MFIs, social enterprises, and the Grameen Foundation assess and craft human resource needs. If a manager asks for a volunteer full time for three months, staff will likely offer a small team with complementary skill sets for a shorter term, say up to three weeks, to better suit volunteers' schedules and foster multidisciplinary collaboration. Bankers Without Borders also streamlined the reporting

process for project managers and volunteers, reducing paperwork by using conference calls to gather information.

“I started off as a big skeptic. Volunteerism with highly skilled people can be inefficient, since you have less control over how they work,” says Malini Tolat, a program manager at the Grameen Foundation. “Now I use volunteers quite frequently. We developed very detailed scopes of work and applied the same rigor in interviewing as we would for hiring consultants.”

Tolat used three volunteers at Ruma, a microfranchise based in Indonesia that enables the rural poor to sell prepaid mobile phone airtime. Overall, Tolat has deployed six volunteers to deliver data analytics, trend analyses, market research, and a new management reporting system. The dollar value of their consulting work is estimated at more than \$30,000.

For projects that stretch over a longer time frame, Bankers Without Borders has volunteers contribute hours incrementally. Eight employees from MasterCard, for example, worked over a six-month period to create a market entry strategy to support the Grameen Foundation’s program expansion in Colombia. The employees were part of a leadership development program that places select employees on cross-functional projects to build their leadership skills. This was the first time MasterCard worked with an external nonprofit in this capacity; another MasterCard team has been assigned for 2011. Now the Grameen Foundation has a replicable framework for developing market entry strategies in other countries.

What is motivating so many professionals to do this voluntary work? The top three reasons cited by Bankers Without Borders registrants are a desire to help the poor, a strong belief in the work of the Grameen Foundation, and interest in microfinance. Only about 15 percent of the deployed volunteers are paid for their consulting work, which typically comes from a corporate partner of the foundation. The rest of the volunteers work gratis and either have salaried jobs, are retired or semiretired professionals, or are graduate students and professors at American business schools.

Auréliе Daligand, senior legal counsel at danone.communities, a social enterprise incubator based in France, received assistance from an investment banker based in Mumbai, India. The volunteer gave a handful of hours each week over six months to help build a clean drinking water business in India. “I felt like I was a true client, not just pro bono,” says Daligand of the arrangement. “He was very available and his financial expertise and knowledge of the local environment were excellent.”

Thanks to communications technology and the analytical nature of many projects, volunteers often work remotely. In fact, more than half of the volunteer hours contributed to the Grameen Foundation were not in the field, a major factor in scaling. One remote project involved 10 finance professionals who created a country risk assessment framework for 30 developing countries on behalf of the Grameen Foundation. Going forward, Maynard estimates that there will be a 50-50 split between projects worked on remotely vs. in the field.

### INNOVATE VOLUNTEERISM

Teach the entire organization to manage volunteers

Consider skills-based volunteering

Develop detailed scopes of work to better use volunteer hours

### A CRITICAL TIME

Grameen Foundation executives believe the Bankers Without Borders initiative could not come at a more critical time, as the microfinance sector has been under fire for veering too far from its poverty alleviation mission. “MFIs need to get back to basics, since there’s an element of truth in the criticism of the sector,” says Counts. “Some [MFIs] have lost their way by focusing more on financial profits and less on the social impact aspect.”

Despite its popularity, there is skepticism about Bankers Without Borders, arising from the debate about poverty solutions and measuring program impact. Dean Karlan, professor of economics at Yale University, says: “Bankers Without Borders may have positive benefits and MFIs have reasons to support it; it’s a great way to engage volunteers and raise awareness of poverty. But the question is about impact. Does [the program] alleviate poverty? You need rigorous impact evaluations to show that. Are there data that prove it works?”

The Grameen Foundation has created a Progress out of Poverty Index (PPI) certification process to help MFIs monitor their success in alleviating poverty. PPI is a tool developed by the foundation that helps MFIs determine the poverty level of their clients and then track it over time. Volunteers help evaluate whether MFIs are correctly using the PPI, applying standards developed by microfinance stakeholders.

“I looked at this project as another assignment at J.P. Morgan, and applied the same level of rigor and due diligence,” explains Luis Baca, an associate at J.P. Morgan in London who traveled to Peru, his native country, to conduct a PPI certification. “Though outside the project scope, I interviewed NGOs, agencies, funders, and others in Peru to form my own qualitative assessment about the MFI.”

Starting in January 2011, MFIs certified by the Grameen Foundation will be listed on the Microfinance Information Exchange (MIX) website, which was founded by the Consultative Group to Serve the Poor in 2002 to improve transparency among MFIs and provide a means for standardization. The PPI certification is Grameen Foundation’s first “Blueprint Project”—long-term projects that enable volunteers, specially selected and trained through online classes, to provide services that require less staff involvement.

Bankers Without Borders intends to replicate its volunteer assistance model. In late 2010, it established a global network of in-country organizations, called Alliance members, who can help to identify and scope projects for volunteers. Promuc of Peru, Contactar of Colombia, and Access Development Services of India were selected in a competitive process to be the first Alliance Program members. Each will receive seed capital and operational support to use volunteers to provide pro bono consulting services to MFIs and social enterprises in their regions.

“Ten years from now, you will see the vast majority of microfinance and information communications technology organizations taking advantage of skilled volunteers as a result of our work. And because of those volunteers’ insights and contributions, we all will be smarter at doing our job of helping poor people help themselves,” says Maynard. ■