

Off the Streets and into a “Good Family”

A Conversation with Ingrid Munro, Founder, Jamii Bora

There is no doubt that Ingrid Munro stands out from the crowd. Colleagues have called her “revolutionary,” “amazing” and “innovative.” She also happens to be a Swede with a shock of silver hair who works with some of the most destitute Kenyan women and men. Munro is the compassionate, tough founder of Jamii Bora, a nine-year-old MFI based in Nairobi, Kenya. Munro’s unique strategies have helped Jamii Bora, which means “good families” in Kiswahili, reach some of the poorest women and men in Kenya, and helped bring them off the streets and into stable housing. Chevenee Reavis, Senior Communications Manager at Unitus, helped *Microfinance Insights* gain access to Munro and ask some of our most pressing questions about her background, the potential for growth in microfinance in Africa, and why external evaluations of a borrower’s poverty level are not her priority.

Chevenee Reavis: You are the Swedish daughter of a Christian missionary who worked in Africa for many years. What brought you to Kenya to work in housing and how did you transition from the housing sector to microfinance? Where did your inspiration come from?

Ms. Munro: My dad was a missionary and medical doctor in Rhodesia [now Zimbabwe] and he brought my brothers and sisters up to have enormous respect for Africa and African culture. That is how I came to work in Africa. It’s true that my background is in housing. In the late 1980s, I was the head of the African Housing Fund. It was my job to convince governments, donors, and non-governmental organizations (NGOs) about the importance of housing for the poor. At that time, we spent a lot of time looking at practical solutions and best practices that could help people improve the housing situation. That is when we began to look at financial solutions and Grameen Bank. This was also around the same time that Dr. Muhammad Yunus was looking into housing. We saw this as a practical way for the poor to access housing. I continued to see microfinance as a practical way for people to break the cycle of poverty. In 1988, the Ford Foundation funded Dr. Yunus to come to Africa and I met him. He gave me a lot of good advice and I saw how microfinance could go beyond just housing. That is when I saw a much bigger opportunity, beyond just housing, to help reduce poverty.

CR: I’ve heard people call you “revolutionary.” What about your philosophy is different from what everyone else in microfinance is doing?

Ms. Munro: I think that description comes from the fact that many people say that the destitute cannot be reached with microfinance, and yet we are doing just that. Because our staff mem-

bers all begin as members of Jamii Bora, they know firsthand about the challenges of poverty. Therefore, our staff and our members have a unique bond that is very strong and promotes an environment of working together to make sure Jamii Bora is relevant to them. Together, staff and members create innovations that work for them. We are for the poor, by the poor. We adapt to what is natural for our members; innovations come from them all the time. We are a movement of people, and it is our drive to get out of poverty that gives us strength.

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CR: Since Dr. Muhammad Yunus received the Nobel Prize, there has been a swing in perception about microfinance; the public has at times thought of it as a panacea for poverty, while others have said that microfinance can do little to change economies and lift the poor out of poverty. What do you think about microfinance as a tool to alleviate poverty?

Ms. Munro: To get out of the vicious cycle of poverty, people do need more than just access to finance. They also need insurance, education, healthcare, housing—all the things that can help them move up and out of this vicious cycle instead of spiraling downward. Microfinance needs to be combined with other programs to help people get out of poverty. It must also be stressed that microfinance should be about creating jobs. Many people think that microfinance is a way for one person to get a loan. Successful microfinance is when one loan leads to a business that then creates a job for themselves and



others. One of the criticisms is that not everyone is an entrepreneur. I say that’s okay because entrepreneurs and non-entrepreneurs need one another, and together they can help more than just themselves.

CR: In the last couple of years, there has been concern in the sector about “mission drift”: organizations that shift from helping the poorest to helping the “not so poor.” At the same time, other experts say that the “very poor” are too vulnerable to incur debt from a loan. What is your perspective on “targeting the poor”? How do you decide who is “poor” versus who is “very poor”?

Ms. Munro: I think that this is a real issue. I think donors can play a very negative role here when they push microfinance institutions too hard to be profitable and demonstrate sustainability—interpreted entirely as financial sustainability. This measure of success often promotes dropping the very poor to appear more successful since small loans are always going to cost more to manage and administer. I think it’s important to discuss how we measure success. To us, success is to support the very poor and to assist them in climbing out of poverty. Some of them will climb very fast, while some will climb very slowly.

I think that there is a very common misunderstanding that if you work with the “very poor,” the best that you can achieve is that they will be lifted just above the poverty line. But innovation, talent, and entrepreneurial skills are not just only

among those that are not poor. Sometimes you find that the very poor are more entrepreneurial than those that are better off because they have a reason to develop those skills for survival. So you can be a beggar at the bottom of any pyramid and reach the very top once you realize those talents. To us, the very poor are not just people that climb above the poverty line. They may climb above it and go further. That is what we are seeing in our organization.

I've had some people look at a member and say that the member isn't really "poor." I tell them that she was a beggar when she started and is now doing very well. Some people then ask us when we will drop her. When are members not poor enough anymore to qualify? That is a question we don't understand. We want to be there and support our members beyond the poverty line. Successful members will become mentors for those that are just starting out. We don't take in new members that are already high up on the ladder; they have all started from scratch with us. But we don't let members go just because they have been successful.

CR: What do you think about the mixing of microfinance and capital markets? What is your stance on the growing interest from large-scale investors in making money from microfinance?

Ms. Munro: Our mission is not to be profitable. Our mission is to assist our members to get out of poverty. But to be sustainable, we must cover our costs. If we relied on subsidies to cover our costs, we would go nowhere. In general, the members that are further along subsidize the members that are just starting out. So we are sustainable in that sense; we cover our costs and make a little plus so we can keep investing in the organization such as new technology, which of course helps us to reduce costs even more. Microfinance organizations are social organizations and they must stay true to that. To reach more people, grow the organization, cover costs, and be sustainable, you must subsidize new members with successful members. That is the model.

CR: What do you think is truly unique about the microfinance sector in Africa versus other regions of the world?

Ms. Munro: The causes of poverty are different all over the world and different challenges require different solutions. In Kenya alone, poverty is complex and varies dramatically by geography.

Therefore, the products and services we offer at Jamii Bora vary depending on where you are in Kenya and what the circumstances are.

I will give you a few examples. In arid lands, the road out of poverty is water. Without access to water, people will always remain poor. Since water wells are too expensive for one family to buy, we help many families work together to combine microloans to afford a well which will change everything for them.

In the more fertile lands, where there are poor landless laborers, you can't reach them by improving the conditions for farming. They need urban or semi-urban income-earning activities to supplement their income from picking coffee or tea, which is often seasonal work. So that is how we approach the plantation workers. In fertile areas where big farms were never established, the problem is overcrowding. Overpopulation and over-farming have over time reduced the amount of land that can go around. Farms are like small urban townhouse plots and there is no way for them to survive on such small farms. Typically, the men leave their communities to earn a living in urban areas and send money home. In those areas, they need urban to semi-urban income-earning activities to supplement the small farms which can barely feed them. There you need a different kind of support.

So we have learned to adapt the services we offer to different types of areas. We have learned to be innovative, listen to members, and really try to understand them. We are innovative, I think, because it is the members themselves who know what their challenges are and come up with ideas for how to address them with Jamii Bora services. Because the causes of poverty are different in different areas, the solutions have to be different.

CR: What role does the Kenyan government play in poverty alleviation and in microfinance in general?

Ms. Munro: The government is trying with regard to microfinance, they have introduced the Microfinance Act, which requires deposit-taking institutions to comply with regulations from the Central Bank. They've been really trying to clean up the industry. We had a problem in the past from some very bad "pyramid schemes," which created a bad reputation for microfinance. We believe regulations are helping clean up the sector. In that sense, we are positive about what the government has been doing. It's not easy to get a

country out of poverty; it has to be done with the total involvement of the people themselves.

CR: When you first got started, what were the greatest challenges you faced as a startup? What skills, capacity, or capital were most urgent in those first few years? What kept you up at night?

Ms. Munro: When we first started nine years ago, we were just enthusiastic and didn't have high ambitions. I would say that the first worry was at the end of the first year, around May, when we saw people having a difficult time repaying their loans. I almost panicked. And then in September, nobody was behind. After awhile, we learned that that is the way it is every year. In May-June-July, business is low and it affects even our micro-businesses. In May, it is winter here, so there are few tourists visiting Kenya and therefore very little cash coming into the country. This affects even our micro-businesses. The coffee has already been sold; Europe and North America are in summer so nobody is buying cut flowers, vegetables, and fruit, and so there is very little cash circulating in the country at this time.

This is just one example of the types of things you panic about. But then you start learning and adapt to these kinds of challenges. So we realized that our members needed to have savings so they could manage the hard times, and have enough capital at the time that our micro-entrepreneurs were ready to restock their businesses, generally all around the same time. Another example is school fees. We noticed that in January, when members pay school fees at the beginning of the school year, loan payments weren't paid well. So we decided to set up school-fee loans to help them even out the payments over the year. School-fee loans allow members to make small payments each week instead of having to pay lump sums once a year.

When we looked at the reason why some members defaulted, we found that 93 percent



of all defaulting members had the same problem: one of their family members was very sick and in the hospital. When this happened, members were selling everything, and then didn't have money to repay their loans. That is when we decided to start our health insurance program as a defense against that.

So everything we've started has been in response to a challenge that we met. Challenges haven't stopped us; rather, they have forced us to focus on being innovative and finding ways of overcoming them. I can't say that there haven't been challenges that haven't been good for us because each one has helped us develop our systems and our products and build safety nets around our members so they can manage the normal economic shocks of life.

CR: How have partnerships helped support Jamii Bora?

Ms. Munro: Unitus has been a strong partner of ours. Unitus came in with a very important guarantee for a US\$1m loan, which we continue to have, so that was a capital injection. We took a loan from a local bank with the help of that guarantee so we could borrow in schillings, which was important to us. And Unitus also came in with some grants to boost our training program, which is now our business school. During this post-election violence, Unitus came in in a very positive way with grant support to back our disaster insurance. Our disaster insurance program was set up for one disaster at a time, not everyone being in a disaster at the same time. So when half of our members were affected by the post-election violence and used their insurance, we needed the outside support to meet their needs. Without it, it would have killed us. Because of friends like Unitus and others from all over the world who supported our disaster insurance, there was not a single member that had been exposed to the disaster who could not benefit from the disaster insurance program they were a part of.

CR: Now you are one of the fastest-growing MFIs in Kenya with a goal of reaching half a million people. How do you stay small while growing big?

Ms. Munro: Did I say we would stay small? We are so many now going door-to-door. The way that Jamii Bora spreads is from one person to another. For instance, when a member sees someone with a secondhand clothes business or

a vegetable stand or sending their daughter to school, they ask how they did it and say that they are a member of Jamii Bora. They then want to know what Jamii Bora is and whether they can be a member. That's how we spread throughout the country. Someone goes home to a funeral to their rural village and they are able to help out with the coffin and people ask them how they are able to manage this, at which point they tell them that they are a member of something called Jamii Bora. It doesn't take long before two to three people get on a bus to Nairobi and come to ask if they can have Jamii Bora in their village. Nowadays, virtually every day we have delegations from different parts of the country who just collected money for a bus fare and they come and say that they want to have Jamii Bora in our villages. We tell them that if they're serious then they should go home, mobilize some people to let us know that they're serious, and then we pick some trainees from there; we train them to become staff from that village and then they go home and set up their branch. That's how it spreads.

We are a movement more than an institution. Every branch we set up is the same thing. Once there is a new branch, they can then explain Jamii Bora to people in their home village in a

way that they understand.

Another way we are growing is through technology. We now have modern POS machines and are centrally networked. Any transaction, in any slum, in any village, in any part of the country, is tracked in real time. When a person registers as a new member, their registration is sent to the head office and their membership card is ordered the next day. Within a week, the member has a card. Each branch has the technology to track these transactions in real time. We do not use the traditional passbooks as they do at Grameen. In that sense, we are fairly modern. We are as modern as any other bank. While other banks have gone step by step in their technological evolution with a big investment at every step, we can just jump from handwritten passbooks to the most modern technology you can think of.

CR: What innovations do you see for Jamii Bora in the coming years?

Ms. Munro: Jamii Bora has grown very big and many of our more mature members are doing very well. For our members that have been successful, we are now thinking about how we can offer them proper banking services such as checking systems so that micro-entrepreneurs can pay their employees. That's one of the ways we see ourselves growing into a more formal sector. Right now, MFIs can't handle such services, so we'll need to partner with a bank or eventually become a bank ourselves. While we don't have the license from the Central Bank of Kenya to do this, the concept is in place.

Grameen has shown that an MFI can become a proper commercial bank and still serve the poor. In 35 years, they have never abandoned the poor and have shown that you can be a commercial bank and not abandon your mission. So if anything, we would like to be the Grameen Bank of Africa. We still admire Grameen Bank as a model.

CR: How do you conduct good due diligence of new members or mature members in such a short turnaround time?

Ms. Munro: Our rule is that you can borrow twice as much as you have saved. When you get into bigger loans, you can borrow more than twice. When you have paid and finished your previous loans with no defaults in your group, you are eligible for additional loans. As members climb, they begin to build a credit history. So all

About Jamii Bora
 Jamii Bora Kenya Limited (a subsidiary of Jamii Bora Trust) is a micro-lending organization which seeks to assist its members in getting out of poverty and building better lives for themselves and their families. Headquartered in Nairobi, Kenya, Jamii Bora operates more than 100 branches across the country to reach its members with financial and social products and services. At the core of Jamii Bora is a fundamental belief that any family, however poor or hopeless, is capable of getting themselves out of poverty. Jamii Bora takes a uniquely comprehensive approach to helping strengthen and utilize all the skills, determination, and hard work of the people of Kenya to build a better nation through better families. Jamii Bora is one of the fastest-growing MFIs in Kenya and has ambitious plans to reach half a million people by the end of 2009.
www.jamiihora.org

members have account numbers in our system, and at the touch of a button, we can print out their entire credit history. Before our system was set up like this, you could get this information but it took much more time to build it and review it. We go by the credit history and our members know that.

CR: Tell us about Kaputei Town, the eco-friendly housing project you have started.

Ms. Munro: Kaputei Town is a community of 706 houses, which are close to being complete now. People are getting their housing loans now and have signed up for specific houses; the ownership of each house is now clear. We are in a very exciting period. It's a very unique program actually. To my knowledge, it has never happened before that poor people have come together to build their own town. And this is not going to be the last town. Once this one is full, we'll continue.

Kaputei Town is truly a town designed by the poor for the poor to get them out of poverty. We are creating a new middle class in a way. When we first started, we began by asking our members about what they wanted in a community. And of course we had to design it to be affordable and still be very good quality. That was the biggest challenge. I have dealt with housing all of my life and I'm an architect and urban planner by profession. The biggest challenge we had was infrastructure such as sewers, water, and roads. So we actually developed very innovative solutions such as recycling methods to clean sewer water and recycle it back into clean water for the town.

For most parts of the world, it has been a very important part of developing a poor country into a welfare state. Even the World Bank admits that asset formation is as important as income generation to take people out of poverty. It is actually a topic of its own. Housing is so important. It is usually terribly underestimated when you talk about getting out of poverty. Against all of the odds, we were determined to make this project work and prove that quality, affordable housing for the poor is possible.

CR: How do Jamii Bora members become eligible for a housing loan?

Ms. Munro: To be eligible, you have to have had at least three successfully managed business loans and been a member of Jamii Bora for at least three years. Once you've signed up for

the housing program, you choose the house you prefer in that neighborhood.

The best outcome of this project has been that it brought poor people together. It has really sparked a movement, bringing people together regardless of their tribe.

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- Munro, Founder, Jamii Bora

CR: When you look back on Jamii Bora and wonder if you've been successful, how do you measure that success?

Ms. Munro: When people climb out of poverty, then we know they have been successful. We have never felt it was important to develop research or a measuring stick to determine whether someone is still poor or not. If a woman says that she isn't poor anymore and that is how she feels, then we believe her. I don't think it's helpful to her if we then bring someone in to measure her against some other measurement of poverty. We know our members and we know whether they are climbing out of poverty or not by the relationships we have with them. If someone with the external measuring stick defines this woman as still being poor even though she feels her life has improved, you take away her pride, and that is very damaging.

CR: So when someone asks you about what metrics are being used to measure the impact of Jamii Bora, what do you say to them?

Ms. Munro: We've had this debate. I have not wanted to bureaucratize the process and get trapped into spending a lot of our time and our members' time trying to study whether a member is really in or out of poverty. You have to remember that people don't climb out of poverty after one loan; it is a long process. If you start measuring people against a scale that is developed by some research, then it will be difficult to appreciate incremental, positive changes that

have happened for that individual. At first glance, it might look like a person who has had just a few loans over the course of one to two years might still be living in poverty; but if you ask them for their opinion, they might say that their life is better. They might tell you that their daughter is in school for the first time. That is what she invested her money in. Ultimately, I think it is the people themselves that have to decide whether they are better off or not and what they want to invest in to take that next step on the ladder to get out of poverty. No one can tell you whether you are or are not better off; only you can decide.

CR: Where is Ingrid Munro going next? What are the next big innovations, products, and/or technologies on the horizon for Jamii Bora?

Ms. Munro: Right now, we are very focused on growth into very remote areas. Growth is our biggest challenge now, because we have the technology, MIS, tested methods, and a strong group of experienced staff. We are ready to grow. There are so many people that say they need us. The challenge we have is that we are exposed every day from people throughout the country and we are trying to respond to their needs.

CR: What words of wisdom would you offer other MFIs and to the people working in the microfinance industry (from networks to microfinance investment vehicles to banks)? Do you believe that the model you have built in Jamii Bora can be replicated in other countries in Africa or beyond?

Ms. Munro: I think people need to adapt to their own conditions, culture, personalities; but the main thing is to understand and see the talents and potential in everyone and understand their members. To understand their members is the most important thing. You can't understand them if you don't live with them or know their conditions. My advice is that I think the strongest part of Jamii Bora is that we recruit our staff from the membership and then we train the staff in-house. And then you have to remain positive and live with, respect, and understand your members. ■

Chevenee Reavis, Senior Manager, Global Communications at Unitus interviewed Ingrid Munro on behalf of Microfinance Insights. Unitus supports Jamii Bora by providing capital guarantees and grant support. Unitus is an international nonprofit organization that works to reduce global poverty by increasing access to life-changing microfinance services. Unitus' portfolio reaches more than 5 million families through 22 partners in Argentina, Brazil, Cambodia, India, Indonesia, Kenya, Mexico, and the Philippines. www.unitus.com