



Development Finance and Economic Security

THE ASSET BUILDING APPROACH

The Asset Building and Community Development Program of the Ford Foundation makes grants in four fields that provide a focus for comparative and collective work to reduce poverty and injustice in diverse political, economic, social, and cultural contexts worldwide. The four fields are: Community Development; Development Finance and Economic Security; Environment and Development; and Workforce Development. The Assets Program also supports the field of Sexuality and Reproductive Health in collaboration with the Foundation's other two programs, Peace and Social Justice and Knowledge, Creativity and Freedom.

The fields within the Assets Program operate on the understanding that the poor are most likely to make durable improvements in their lives and communities through the cultivation of assets – financial, human, social, and natural resources – that enable them to exert more control over their lives and participate in society in meaningful ways. A healthy field includes a critical mass of people and organizations working in a variety of ways on a common problem. Emphasis is placed on strategic collaboration that encourages information exchange about best practices and lessons learned across differing contexts around the world.

OUR FOCUS

THE DEVELOPMENT FINANCE AND ECONOMIC SECURITY FIELD includes activities that help low-income people generate sustainable incomes, save and plan for the future, and protect against unforeseen economic setbacks. Sustainable incomes and financial security are generated through wages gained by employment, ownership of enterprises, and improved agricultural production. Ownership and control of assets, such as savings, investments, and equity in homes and businesses are also crucial elements of economic security.

The Foundation supports efforts to increase the supply of financial and non-financial services for small businesses, micro-enterprises, and low-income households and seeks to strengthen the institutions working in the field. These include nonprofit and for-profit development finance institutions – loan funds, credit unions, micro-finance organizations, and development banks. Promoting public dialogue and policies that encourage and assist low-income people to build long-term financial assets and sustainable wages or self-employment is another key strategy.

THE CONTEXT

Disadvantaged populations in developed and developing countries lack access to good jobs with decent incomes and are restricted in their ability to accumulate financial assets. Low-income people are often forced to rely on casual labor and informal markets for their livelihoods. A complex history of discrimination on the part of many mainstream financial institutions, coupled with the high perceived risk and high costs of offering credit, keeps those who are self-employed or operate small enterprises from obtaining needed capital. Often, the only source of credit for low-income people in developing countries is informal (i.e. friends, relatives, and money lenders) and the cost of borrowing can be very high – much higher than from banks and other financial institutions. And, the public policies such as interest rate ceilings or high capital requirements often restrict the availability of loans, savings, and other financial services and products for low-income people. Finally, many entrepreneurs lack skills needed for income generation and control over financial and other resources.

The development finance field is heterogeneous and highly specialized. The number and scale of active institutions, while growing substantially in the last decade, remains small relative to the need. In many countries, the work of development finance institutions is hampered by factors