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“Green Microfinance: Advancing Social Equality and Environmental Sustainability in the United States”

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## **Executive Summary**

The nature of 21<sup>st</sup> century environmental problems—climate change, deforestation, the geopolitics of oil, etc—is such that they can no longer be separated from social problems such as poverty, malnutrition and war. In order to effectively tackle both challenges at the same time, a green economy must be created that is environmentally sustainable, socially equitable and inclusive. Without the support, ideas and passion of people of color, immigrants, women and the poor, a green economy will flounder and lack the vibrancy and potency it would otherwise have. This paper argues that an effective means of achieving an inclusive green economy in the United States is through the use of green microfinance, defined as loans of less than \$35,000 that have benefits to both the borrower and the environment.

Microfinance, starting with the work of Dr. Muhammad Yunus in rural Bangladesh in 1974 and now expanding to reach over 100 million people worldwide, has irrefutably proven that 1) the poor are credit worthy, 2) given the chance, people are capable of bringing themselves out of poverty, and 3) the provision of small-scale financial services to disadvantaged people can serve as a platform for providing other products and services that are empowering and beneficial to the recipients. As an example, Dr. Yunus, founder of the Grameen Bank, with which he shared the 2006 Nobel Peace Prize, has gone on to found nearly 20 other companies, ranging from enterprises that provide health care and clean energy to affordable eye care hospitals and the largest

cellular provider in Bangladesh. The majority of these enterprises use microloans from Grameen Bank to finance the purchase of the product or service. In the United States, microfinance can similarly serve as a hub around which other socially and environmentally beneficial activities take place.

Specifically, microfinance can support both social and environmental goals in the United States by incorporating environmental education and empowerment into lending programs; supporting ‘green collar entrepreneurs’—low and moderate-income individuals with ideas for green businesses—with loans and technical assistance; and by providing innovative loan products that cover 100% of the up-front cost of residential energy-efficiency and renewable energy.

Green microfinance has the potential to address pervasive poverty, financial exclusion and energy inequality in the United States. In addition, it can also allay the view among minorities that environmental organizations are predominantly white, middle class, and out of touch with their concerns. In so doing, it can bridge the divide between those that are arguing for environmental improvements and those that are suffering most from environmental degradation. Lastly, green microfinance can create green collar jobs, reduce greenhouse gas emissions, save ratepayers money and spur a revolution in small-scale businesses that create a more livable community and environment through market-based solutions.