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Seattle becoming hub of microfinance movement

The loan amounts are small, but the results are huge

By Andrea James, P-I Reporter

When Isabel Vásquez talks about her journey from impoverished single mother in El Salvador to successful entrepreneur, the 49-year-old looks to the ceiling to thank God and makes the sign of the cross. Then she rubs her thumb along her fingertips - the international sign for money.

She needed both to get here.

Vásquez and her mother, Alejandra Marroquín, 73, boarded a plane for the first time to fly to Seattle, where Vásquez will show about 1,200 Seattle business leaders today what a little bit of cash can do.

Vásquez started her seamstress business in Colón City with the help of a \$120 microloan in 1999. She used \$60 to buy fabric, buttons and thread. The rest freed her from a loan shark who charged 40 percent interest per month on her debts.

That initial loan was enough to start a cycle of prosperity for Vásquez, a mother of three who never made it past the sixth grade and has been sewing since age 14.

“Now we eat three meals per day,” she said Monday, speaking through a translator. “We used to be hungry a lot.”

The concept of microlending - giving \$50 to \$300 to entrepreneurs in developing countries - has been



around for more than three decades, but is now starting to heat up. And Seattle, which houses three large microfinancing organizations, is becoming a hub of support. The Bill & Melinda Gates Foundation has also lent clout to the concept by making microfinance grants a part of its Strategic Opportunities division.

Many U.S.-based non-profits don't make the loans directly to individual borrowers. Instead, they support microfinancing institutions in countries where the loans are made. Some non-profits also provide collateral, and research how to make the process more efficient.

Bill and Paula Clapp co-founded Global Partnerships in Seattle in 1994 to fight poverty through microlending. The non-profit hopes to raise \$400,000 through its business luncheon today.

Microlending institutions focus on women because

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Seattle becoming hub of microfinance movement *continued*

they are more likely to pay back loans, and are more likely to use profits to put children through school, said Rick Beckett, president of Global Partnerships.

“Women have ideas to do things, but need money,” said Vásquez, whose children earned high school diplomas. She hopes her grandchildren go on to college. Her loan came through Enlace, a Salvadoran microfinancing institution backed by Global Partnerships.

Vásquez’s mother, Marroquín, is blind in one eye and partially blind in the other, yet the other women in her village joke that she can still see dollar signs. She co-founded a communal bank in her hometown. Women who are admitted to the group share responsibility for the loans, so if one falls behind, the others pitch in.

“My business is chocolate,” said Marroquín, who never went to school. She said her chocolate patties, made with sugar and spices, have become a hit, selling in open-air markets and gas stations. That business also began with a microloan of \$120, she said.

Once existing mostly in the realm of philanthropy, microlending has caught the eyes of big-time banks such as HSBC, Citigroup and Deutsche Bank, said Robert Lowry, a spokesman for Redmond-based Unitus, which focuses on microlending in India.

“That’s the big appeal of microfinance,” Lowry said. “It’s not a handout, it’s not a charity. It’s really a business opportunity.”

Folks in Seattle are signing on too.

The Washington, D.C.-based Grameen Foundation opened a Seattle arm because so many people in King County wanted to help. Many of the Grameen Technology Center’s volunteers are retired technology professionals, said Alex Counts, foundation president.

About 92 million people worldwide have been helped through microloans, but 500 million more could benefit, Lowry said.

One day, it could lead to stronger financial systems

in the developing world - and the addition of things Americans take for granted, such as banks, 401(k)s and credit cards.

“We don’t realize it, but our life is propped up or made possible by the financial system that underlies it,” said Geoff Davis, chief executive of Unitus. “We have the opportunity now to design financial systems that work for the 4 billion people who are excluded. It’s true social capitalism”

Beckett said that the cash flows and investor side are interesting, but the concept really comes down to stories like Vásquez’s.

Sitting at Global Partnerships’ Seattle headquarters on Monday, Vásquez talked about her ascent from life in a sheet-metal house to a brick one - with windows.

But it goes deeper than that. She has gained confidence and respect.

“I feel like I have been fulfilled as a woman,” she said, punching a fist in the air.