

# Seattle Post-Intelligencer



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## A little cash from Seattle goes a long way

Microloans help people climb their way out of poverty

By Tom Paulson, P-I Reporter

LEON, Nicaragua – Beyond the stunning cathedrals and colorful Spanish colonial architecture, out on the edge of this bustling university city, the roads quickly turn into rutted dirt and the homes shrivel into tiny tin-roof shacks.

It is here that Maria Zamora scrapes out a living, with a little bit of help from a 17-year-old Seattle organization started by the great-grandson of a Northwest timber baron.

The key is that it is, by design, just a little bit of help. Not too much.

“Things were getting worse and worse for us,” said Zamora, 43, a single mother of four children.

Holding her 3-year-old granddaughter Jorlin in a tiny yard crisscrossed with laundry lines, populated with noisy chickens and full of all variety of toys and household goods, she began to cry as she told her story.

“I have always worked hard,” Zamora emphasized.

In addition to caring for her children, she has tried to make ends meet by selling tortillas to her neighbors. But the ends never quite met. She constantly had to borrow money on the street and pay exorbitant interest rates, finding herself increasingly mired in debt, with no ability to save.

Her mother, who had also contributed to the household’s meager income, died in 1999 and Zamora faced losing even the little she and her family had. Then friends told her about this group of people in town who provided small loans just for poor people.

“Most of our clients are women,” said Roberto Velasquez, manager of the local branch of ACODEP.

It’s an organization created in 1990 by Nicaraguan financial experts to offer the poor a chance to climb out of poverty through a strategy known variously as microfinance, microcredit or microlending.

Women are often those in the community who are in most need of financial assistance, Velasquez said, and they are usually more reliable than men when it comes to repayment.

This market-oriented anti-poverty scheme is largely credited to the Bangladeshi economist Muhammad Yunus, who won the 2006 Nobel Peace Prize for setting out in the 1970s to prove that microfinance could work, and working to expand its use globally.

Along the way, one of Yunus’ converts was Bill Clapp, a Seattle investment manager and great-grandson of Weyerhaeuser co-founder William Norton. In 1994, Clapp and his wife, Paula, founded Global Partnerships in Seattle to support microfinance programs throughout Latin America.

Global Partnerships today has an \$8 million portfolio invested in more than a dozen microfinance organizations such as ACODEP in six Latin American countries.

All Zamora gets as a portion of that war chest is an annual loan of about 600 cordobas (about \$33), which she must pay back before she can apply for another loan. She sells her tortillas for a cordoba each and said she makes about 80 cordobas (\$4) per day.

“I would like to someday have a house,” Zamora said.

Her home now is little more than a converted shed with an adjoining crowded work area, where she cooks tortillas over an open fire among the chickens, clothing, toys and assorted goods.

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## **A little cash from Seattle goes a long way** *continued*

So why not just ask ACODEP, or Global Partnerships, for more than a measly \$33 per year? Why not get a bigger loan and buy a home?

“I would like that, but I could not pay back such a loan,” Zamora said.

With a smaller loan, she said, she can manage the payments and still save enough to pay for her older sons’ college educations. A house can wait, Zamora said.

“It pulls at your heart strings,” said Kimberly Vora, Latin American Programs coordinator for Global Partnerships in Seattle. “But there are good reasons why microfinance institutions tend to give mostly small loans.”

The idea, Vora said, is to give people like Zamora just enough financial assistance to get out of the vicious cycle of poverty, but not so much that they regard it as charity.

“It sounds corny, but the idea is to make this an empowering experience,” Vora said.

Too large a loan that cannot be paid back, she said, becomes both a financial burden and further diminishes a poor person’s sense of self-determination.

Nicaragua, Vora said, has been highly successful at expanding the use of microfinancing. Out of a population of about 6 million, she said, at least 200,000 people receive microloans through a variety of organizations.

Global Partnership provides funding support to ACODEP and other microfinance organizations in Nicaragua, Vora said, and regularly reviews their financial performance.

Zamora began cooking the tortillas to sell that day. Nicaraguan tortillas are thicker, somehow tastier, than the standard tortillas sold in the U.S.

As she patted flat the corn-flour dough, her 18-year-old son, Moises, said it costs him 450 cordobas to attend the university – a lot of money for them.

“Things are still very difficult for us, but we have food every day and that’s better than it is for others,” Moises said. “I am going to get good grades and become a lawyer or businessman.

“I will buy my mother her house.”