

MAKING THE MOST IMPACT



Dear Friends,

Not so long ago, the question most often posed to Global Partnerships (GP) was, “what is microfinance?” Today, with more than 130 million borrowers being served around the world, the questions have changed. Now we are being asked, “How do we know microfinance works? How can we reach more people? How can we make it better?”

A wide range of studies and journals have explored whether microfinance makes a difference. They suggest higher levels of income and savings, increased education rates and improved diets. Borrowers report higher levels of self-esteem and community engagement. There is strong evidence—both anecdotal and quantitative—to suggest that the lives of people living in poverty get better with microfinance. It is not perfect, nor will it solve global poverty all by itself, but it is an effective approach that we can use along with other strategies to make a difference.

For this reason, GP is working to expand access to microfinance to more people living in poverty in Latin America. Of 60 million potential borrowers in the region, only 9 million are being served. Through our investment of \$28 million in 19 microfinance partners (MFIs), we are now reaching more than 500,000 families in six countries. Our strategic plan calls for us to invest \$100 million in 40 partners reaching 1.3 million borrowers in 10 countries by 2010.

Beyond that, our challenge is to select MFI partners and to collaborate in ways that achieve the greatest possible social impact. It turns out that not all microfinance institutions are created

equal. There is a broad range in terms of growth in borrowers, outreach to more vulnerable people (like people living on less than \$2 per day, women and the rural poor), what services are provided alongside microcredit to deepen impact, whether pricing makes microfinance affordable, and how profits are reinvested to advance mission.

What does that mean for GP? When GP first began screening and selecting MFI partners, our focus was on finding well-led, profitable, growing organizations who shared our commitment to serving people living in poverty. We are now further focusing on three distinct MFI models, which we expect to deliver superior levels of social impact over time. These models can be broadly defined as *financial service providers*, *integrated service providers* and *community wealth creators*. Each offers clients opportunity and access to resources to build a better life; it is in the “how” that they differ.

A financial service provider, like our partner ACODEP, expands opportunity by offering microfinance products, such as microcredit, microsavings, microinsurance and tuition assistance loans. They tend to grow relatively rapidly and focus on introducing new financial services aimed at meeting the needs of poor people. An integrated service provider, like our partner CRECER, focuses on serving the very poor, especially women, and integrates health services and education into the process of providing microcredit to clients. The borrower benefits from microcredit, from access to



The effects of microfinance often extend past the individual, making an impact on a borrower's entire family

non-financial services, and from the social network that is created in the process. A community wealth creator, like our partner Coop 20 de Abril, is often organized as a cooperative and operates in a rural area where economic opportunity is most limited. They offer some of the most affordable microfinance products, and they reinvest profits to create borrower savings and/or to foster community economic development.

We are committed to using the resources entrusted to us to great effect and to continuously learn from the people we serve and the partners we support. Thank you for joining us on this journey.

Sincerely,

Rick Beckett, President and CEO

THE IMPACT OF MICROFINANCE

As an organization entrusted with resources to make the world better, Global Partnerships (GP) embraces the challenge of assessing our social impact. Just as we hold our partners in Latin America to a high standard of excellence, we too are constantly examining our own methodologies to ensure that we are making a significant and positive difference in the lives of people living in poverty.

The impact of microfinance is economic and social, and a number of studies have examined these aspects. In 2005 the Grameen Foundation released the first comprehensive review of microfinance impact studies, *Measuring the Impact of Microfinance: Taking Stock of What We Know*. This report thoroughly examines the evidence available to measure the social impact of microfinance and concludes that there is a “wide range of evidence that microfinance programs can increase incomes and lift families out of poverty.”

Study after study show that access to microfinance results in increased household income, better health for clients and their families, and increased empowerment for female clients. Part of the challenge, however, is that microfinance programs vary in their approach, from those whose profitability and growth strategies include—and sometimes depend upon—extending credit to their clients at high interest

rates, to microfinance institutions (MFIs) who do not strive to become self-sustaining and instead remain dependent on charitable support.

A recent article published in the *Stanford Social Innovation Review* attempts to cut through the difficulties in measuring the impact of these different approaches. This study suggests the key to understanding impact is not to measure the success of a specific program or microfinance institution; rather, it proposes a client-centered approach. From this the authors submit that in order to ensure the success of microfinance programs, MFIs must focus on providing many more services than traditional financial institutions do, including education, management training and social services.

In expanding opportunity for people living in poverty, especially women and the rural poor, Global Partnerships is building a portfolio of MFIs (see ‘Making the Most Impact,’ p. 1) and has formed an Impact Committee.



Microfinance impact studies show that microentrepreneurs can make significant enhancements to their living conditions. Nelly Orquidea of San Miguel, El Salvador was able to make improvements her home thanks to microloans from GP partner AMC de RL

protocols to assess our impact and use what we learn to improve results over time. Just as the GP Investment Committee drafted financial benchmarks and guidelines to evaluate the financial performance of MFIs, the work of the Impact Committee will result in improved reporting on the social impact of our MFI partners.

As this process unfolds, we will continue our practice of gathering testimonials from borrowers who share their experiences directly with our team and with our PartnerTrip travelers. These stories can be found in our newsletters and on our website. Like the testimonials given at our Business of Hope event each year, we are reminded that “numbers are people with the tears washed off.”

Sources

Goldberg, Nathaniel. *Measuring the Impact of Microfinance: Taking Stock of What We Know*. Grameen Foundation USA, 2005.

Datar, Srikant M. et al. ‘In Microfinance, Clients Must Come First.’ *Stanford Social Innovation Review*, 2007.

Links to download the sources listed above are available on our website at: www.globalpartnerships.org/sections/aboutus/aboutus_ic_newsletter_current.htm



Credit and education services provided to solidarity groups can increase income and savings, as well as improve health and nutrition

The Impact Committee is chaired by board member Mike Galgon and comprised of GP board members and volunteers Bill Foege, Kurt DelBene, Walter Euyang and Margaret Larson. This team has embraced the challenge of developing and implementing

PARTNERTRIP NICARAGUA

by Leanne Skooglund Hofford

We gathered beneath an enormous mangotree, seated on a humble assortment of wooden benches and plastic chairs—15 Global Partnerships (GP) visitors and 12 Nicaraguan businesswomen. With majestic volcanoes looming in the distance and a pig rooting nearby for food, we listened to the women's stories and learned firsthand how small loans can make all the difference to a family living in poverty.

The meeting was part of GP's November PartnerTrip to Nicaragua. Twelve travelers and three GP staff members met with borrowers from two of GP's microfinance partners—FUNDENUSE and Pro Mujer Nicaragua.

Our journey began in Ocotal, the town in rural northwestern Nicaragua where FUNDENUSE is based. One of FUNDENUSE's original clients, Marlene Reyes, told us the story of how she used her first microloan to start a food cart in Ocotal's central park next to a "llamarada" tree. Building her business over time with successively larger loans, today Marlene is the proud owner/operator of a hotel and popular restaurant across the street from the park where she began—she named both her businesses after the llamarada tree. Marlene confided that her two secrets to success are "cooking with love and serving her clients with a smile."



FUNDENUSE client Marlene Reyes (right) and two of her staff members serve lunch to PartnerTrip travelers at her restaurant "Llamarada"

"My mother told me since I was little that everything I needed I had to work for," Marlene remembers. "So, I created my own job with my business." In fact, today Marlene employs 12 people, providing jobs for her family members and others.

From Ocotal, our group traveled south to the colonial city of León, headquarters of GP partner Pro Mujer Nicaragua. Pro Mujer provides microloans to women living in extreme poverty combined with healthcare and training to address some of their clients' most critical non-financial needs.

Pro Mujer's 23,000 clients are organized into "communal associations"—neighborhood groups of 20 or so women who guarantee each others' loans. Their twice monthly, two-hour meetings begin with a health training session on topics that closely touch their lives, such as menopause, domestic violence or diseases prevalent in their communities.

Next PartnerTrip: Bolivia April 18–28, 2007

After the training, each woman's loan payment is collected and carefully recorded in the group's ledger book and on a poster prominently displayed for all the members to see, keeping everyone publicly accountable for their loans.

Once the week's loan payments were collected, the Nica women took time to tell us more about their lives. One is a seamstress; another makes and sells tortillas; another rises at 1 a.m. twice a week to butcher a pig and have



Pro Mujer health promoters explaining the symptoms of leptospirosis, a disease spread via animal urine—critical knowledge in a rural community that lives side-by-side with their animals

the pork that is popular for breakfast in Nicaragua ready to sell by dawn.

There were stories of hardship: walking many miles to markets because public transportation is unavailable; serious injuries that required medical care that doesn't exist in their tiny village; hurricanes that wiped out families.

Despite the challenges, the mood of the group was hopeful, confident and determined. Through their small businesses, these women are now providing their children with clothes for school, access to healthcare, and three meals a day—significant improvements in their families' lives.

We heard many dreams for an even better future. As one woman told us while the others around her nodded in agreement, *seguimos luchando*—"we will keep fighting."

If you'd like to see firsthand how Global Partnerships is helping to make a difference in the lives of people living in poverty, please consider joining us on a future PartnerTrip. We'll travel to Bolivia on April 18–28, 2008 and to Guatemala in Fall 2008. For more information contact Chris Megargee at 206.652.8717 or cmegargee@globalpartnerships.org.

BOARD OF DIRECTORS

CHAIR

Bill Clapp
Co-Founder,
Global Partnerships

VICE CHAIR

Dean C. Allen
President, McKinstry
Company

Sherilyn Anderson

Vice President,
Goldman Sachs

Sandra O. Archibald
Dean, Evans School of
Public Affairs, UW

Doug Boyden
Former Managing
Director, Mercer Human
Resource Consulting

Paula Clapp
Co-Founder,
Global Partnerships

Steve Davis
Senior Advisor, Corbis

Walter Euyang
Retired, Chief
Operating Officer,
Headbone Interactive

Jack Faris
President, Washington
Biotechnology &
Biomedical Associates

SECRETARY

Mike T. Galgon
Co-Founder and
Chief Strategy Officer,
aQuantive, Inc.

TREASURER

Tom Waldron
Founder and Partner,
Waldron & Company

William Foege, M.D.
Senior Fellow,
Bill & Melinda Gates
Foundation

Margaret Larson
Award-Winning Veteran
Broadcast Journalist

Ginny Meisenbach
Community Volunteer

José Piñero
Director, Diversity
Marketing and Public
Relations, Microsoft

Eddie Poplawski
Chairman, Anderson
Daymon Worldwide

Richard J. Robbins
President, The
Robbins Company

Bob Wright
CEO and President,
Matthew G. Norton Co.

MANAGEMENT TEAM

Rick Beckett
President and CEO

Elizabeth Castleberry
Chief Development
Officer

Gary Mulhair
Chief Investment Officer

Alberto Solano Roca
Director of Latin
American Programs

SUCCESS STORY Gregorio Francisco Perez, Ocotol, Nicaragua

What might otherwise be a tranquil street corner in the town of Ocotol, Nicaragua bustles with activity every day from frequent visits of clients loyal to street vendor Gregorio Perez. Gregorio has staked his claim on this corner, and he is found there every morning with his pushcart selling enchiladas, taquitos and fresh fruit juice to workers in the area. Gregorio's business is funded by microloans provided by



Gregorio Francisco Perez, serving up enchiladas to workers from a nearby factory

Global Partnerships microfinance partner FUNDENUSE, and the income from it supports his entire family. The business itself is a family affair. Gregorio staffs the cart selling the product, his wife of 14 years cooks the food and prepares the juice at home, and their older son brings fresh supplies to restock Gregorio when he runs out. Together they prepare and sell more than 350 enchiladas every day. Gregorio has two young boys, both of whom attend school, and the earnings from his pushcart pay for their uniforms and books. While Gregorio acknowledges that there are various options for microfinance services in his town, he chooses to work with FUNDENUSE because they have offered him not only loans, but also excellent customer service. In fact, it was a FUNDENUSE loan officer who first shared with Gregorio the opportunity to obtain a loan and start his own business—a business which is building a brighter future for this young family in Nicaragua.

UPCOMING EVENTS

International Women's Day March 8, 2008

Global Partnerships is committed to expanding opportunity for women to help them achieve their full potential. One of the ways we do this is through our *Opportunity Blend* coffee. The Peruvian beans used in this fair trade, organic blend are sourced from *Cafe Feminino*, a co-op supporting better living conditions, education and empowerment for female coffee growers.



Celebrate International Women's Day by purchasing Opportunity Blend—available on our website at www.globalpartnerships.org

GLOBAL PARTNERSHIPS

909 NE BOAT STREET, SUITE 200
SEATTLE, WA 98105
206.652.8773

Non-Profit Org
US POSTAGE PAID
Seattle, WA
Permit No. 6624

Global Perspectives

Contributors: Rick Beckett, Elizabeth Castleberry, Leanne Skooglund Hofford, Chris Megargee, Hana Rubin

Photo credits: Bruce Hutson, Chris Megargee, Doug Ogle

Edited by Hana Rubin

Copyright © 2008 Global Partnerships

Printed on 100% post-consumer recycled, FSC-certified, chlorine-free paper

If you would like to subscribe to *Global Perspectives* or be removed from our list, sign up on our website or email info@globalpartnerships.org