

MAXIMIZING EMPOWERMENT FROM MICRO-FINANCING

SEATTLE WPOER IS USING MICRO-LOANS TO HELP EASE POVERTY



When 2004 WPO International Chairman and WPO Foundation champion, **Paul Robshaw**^{LM} *WPO Austin*, heard **Bill Clapp's** presentation to the WPO Foundation, he was so impressed that he and his wife, Linda Bengé, personally contributed to his Initiative for Global Development. Paul cites Bill's group as having a huge multiplier effect. Bill's partnering with other global microcredit initiatives creates an increased benefit ratio of 32 to 1. *WPO World* interviewed Bill recently to bring you his perspective.

For more than a decade, **William Clapp** *Pacific Northwest Region*, has been making some particularly prudent financial investments with significant returns. He has been putting money into the hands of some of the world's poorest people who simply need a loan to jumpstart a small business. Bill's investment plan is based on an approach to eliminating third world poverty developed by Nobel Prize-winning economist Muhammad Yunus called "micro-credit".

"Poverty is related in one way or another to just about every serious problem we have; or, it stands in the way of solving a particular problem," Bill explains. He cites a recent poll by Gallup International in which more than 80 percent of the respondents expressed the view that poverty is the main problem facing the world. "The respondents said poverty is the issue with the greatest long-term effect on our economy and our security," says Bill.

The necessary entrepreneurial spirit to carry out his ambitious scheme is in Bill's

blood. He is the great-grandson of Matthew Norton, a founder of Weyerhaeuser. His father, Norton Clapp, was chairman and president of Weyerhaeuser in the 1960's. Bill's father was also instrumental in the construction of Seattle's icon, the Space Needle. In 1994, Bill and his wife, Paula, founded Global Partnerships, a US non-profit organization supporting micro-credit programs in Central and South America and the Caribbean.

How Micro-credit Works

Typically, Global Partnerships' customers are in countries where unemployment is as high as 70 percent. Of that total number of unemployed, Bill adds, as many as 70 percent are women. But, according to Bill, "None of these people is truly unemployed. They are self-employed out of sheer necessity." His typical customer deals in essential commodities, such as food, clothing, bricks, furniture or pots and pans. "They sell and resell. They raise crops. They raise animals. They are the people who you see on the sidewalks and

highways in any third world country. Wherever traffic slows, you will find a micro-entrepreneur," Bill continues. "They are poor. They do not have collateral. They live on plus or minus two dollars a day. They do not have access to the things we are accustomed to, such as education and health care," Bill explains.

It is not necessary to ask a potential micro-credit customer what they want to do with the money. "They are already doing something. It is more like an inventory loan. Think of someone selling oranges or chickens, and they want more oranges or chickens to sell. Micro-loans not only allow them to buy more, they allow them to buy better. With cash in their hand, they can bargain. That increases the spread and the margin in their work. What we are really doing is giving them more economic power, more freedom to participate in the marketplace," Bill explains.



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– Bill Clapp

Right: Micro-loan recipient Isabel Vasquez, at work.



Poverty Re-Defined

Bill’s experience providing micro-credit has changed how he views the poor. “We do not see the poor as people who can only survive on handouts. We don’t think of them as incapable. We see them as customers. These are people who are capable of paying back loans with a greater than 98 percent certainty under extreme conditions. They are productive, honest, hardworking people. Our micro-credit enterprise is making us rethink how we do everything with the impoverished world,” says Bill.

Bill believes that micro-credit could be a catalyst that motivates nations to rethink how they help the people of the developing world. “Really, part of it is getting out of the way and giving them opportunities. At the individual level, you see amazing changes in families. Women are no longer viewed as family servants. They are leaders. This means the next generation is going to have an entirely different expectation of woman’s roles.”

Micro-credit: The Global Picture

In the interest of raising the visibility of micro-credit’s value to global development, Bill helped start the Initiative for Global

Development, a Seattle-based national network of business and civic leaders “who believe that eradicating extreme global poverty is the most critical step the United States can take to improve security and economic vitality at home and abroad.” The organization has attracted the interest of former US Secretary of State Madeline Albright, Former Joint Chiefs of Staff Chairman John Shalikashvili, former director of the Environmental Protection Agency and Federal Bureau of Investigation William Ruckelshaus, former Washington Governor and US Senator Dan Evans and Bill Gates, Sr.

There are approximately 100 million people in the world getting micro-credit loans, according to Bill, amounting to about US\$ 20 billion dollars in capital. “That is the tip of the iceberg. We have to grow that by five times over the next 10 to 15 years. Plus, those loan sizes keep growing. The demand for capital is insatiable,” Bill says. “Just a few years ago we had a few hundred thousand dollars out on loans, and we were making some grants. At the completion of this fund, we will have US\$ 28 million to US\$ 29 million under management. This has happened in only two-and-a-half to three years. That is extraordinary.”

Micro-credit Success Story

Bill Clapp’s Global Partnerships funds non-government organizations (NGO’s) based in the countries where the loans are made. A good example is ‘Enlace,’ a partner institution based in El Salvador.

Enlace made a loan of US\$ 60 to Isabel Vásquez, a seamstress who lives in Colón, La Libertad, El Salvador. “With my first loan, I purchased material and fabric, zippers, and such. That’s what poor people want – dollars, and to work,” declared Isabel. Since that first micro-loan, Isabel has borrowed and paid off similar loan amounts. Today, she has more than 100 customers. She has been able to pay for school for her children, and has built her own home.