

# PUGET SOUND Business Journal

*Business Leaders Get It.*

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## Two NW microfinance groups expand their horizons

By GREG LAMM

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The global economic crisis is putting the squeeze on fundraising for two Seattle nonprofits that support microfinance programs in developing nations. But it hasn't stopped the local organizations from seeking to expand their reach.

"We are definitely feeling the impact of the slowing economy and rising unemployment here in the region and across the country," said Eliza Kelly, director of global communication for Unitus, an 8-year-old Seattle-based microfinance organization that gives grants to lenders making small loans to poor farmers and other people in India, Southeast Asia, Africa and Latin America.

The small banking organizations that give tiny loans to poor entrepreneurs in the developing world are feeling the pinch. According to a recent survey by Microfinance Information Exchange Inc., the recession and the credit crunch are forcing microfinancing institutions to cut staff and cut back on lending.

At Unitus, which extends grants of \$10,000 to \$100,000 to such microlending organizations, Kelly said donations from individuals this year so far are only at 32 percent of Unitus' goal. Donors tell Kelly they are not giving because of the uncertainty of the economy.

But that has not stopped Unitus from seeking to enlarge its horizons. The organization is expanding in East Africa and set a goal this year to raise about \$8 million in donations, near the amount it raised in 2008.

On the plus side, Kelly said that institutional giving is at 138 percent of the goal and puts Unitus on track to reach overall fundraising goals this year. Unitus also is kicking off its most intense fundraising campaign of the year, to new and old donors, she said.

That has allowed Unitus to assist microfinancing organizations in making short-term loans — maybe \$40 to be paid back in 50 weeks — perhaps to Kenyan farmers, or to someone making charcoal to sell at a roadside, or to a seamstress or a taxi driver in a more urban area.



CHRIS MEGARGEE PHOTO | *Global Partnerships*

**WOVEN TOGETHER:** Guatemalan Guillermo Tohom, along with his wife Maria, makes his living weaving and selling traditional fabrics on hand-operated looms purchased with microloans from FONDESOL, a partner of Seattle-based Global Partnerships.

According to the World Bank, 2.5 billion people survive on less than \$2 a day, with people in sub-Saharan Africa faring much worse. Access to even tiny loans can have a huge impact on the standard of living in the developing world.

Unitus doesn't provide lending capital with a return expected, as do other organizations assisting microfinancers. Instead, it provides grants and business expertise to help fledgling, high-potential microfinance institutions attract capital and reach a level of sustainability. The money might be used to conduct an executive search, for example.

Unitus is the nonprofit arm of the for-profit Elevar Equity, of Seattle and Bangalore, India, which invests in mid-stage microfinance institutions. Elevar began in 2006; it has a \$25 million fund and is raising money for a second fund of between \$75 million to \$125 million. Unitus also is affiliated with Unitus Capital, which was launched in 2008 as a financial advisory firm specializing in arranging capital for microfinance institutions.

Another local nonprofit looking to increase its work is Seattle's Global Partnerships, which supports microfinance programs in eight Latin American nations.

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That's because, despite reports of oversaturation of micro-financing institutions in central India, in the places where Global Partnerships is focused there is still a great demand for loans and other services that nonprofit microlending organizations provide, said Rick Beckett, Global Partnerships' CEO.

"For the person living in poverty, not much has changed," Beckett said. "There is not much finance on the ground in the middle of a dusty hill town in the middle of Bolivia."

The 15-year-old organization has increased the amount of capital it has raised to support microfinance programs in Latin America. Global Partnerships works with 28 microfinance organizations serving about 852,000 people.

Since 2005, Global Partnerships has launched three microfinance funds that provide capital to microlending organizations and also provide a social — as well as financial — return for investors. Last year, Global Partnerships closed on a \$20 million fund, and this year the organization is raising money for another \$20 million fund.

"Obviously, it's a bit harder to raise money from investors," Beckett said, "in that people's portfolios are down and people are a bit more cautious."

But he said he remains optimistic that Global Partnerships will meet the goal for the current fund.

"We closed the '08 fund three months after the financial crisis hit," he said. "We like what we are hearing from our investors in this fund. We will see."

He said because of the financial crisis, some of Global Partnerships' microfinance partners have seen delayed payments from borrowers. But Beckett said those delays have not hurt investment returns paid by the microfinance institutions.

Beckett said Global Partnerships also is seeking to help the microfinancing institutions it works with to expand services beyond just making loans. That can include providing advice on feed and vaccines for a farmer borrowing money to buy pigs, or perhaps conducting cervical cancer screening for women.

It's a way to extend health-care and other services to poor regions, Beckett said, as well as helping the microfinancing institutions that Global Partnerships supports distinguish themselves from competitors, including for-profit financial institutions.