

THE SOCIAL SIDE OF MICROFINANCE

Innovation, impact and integrated services in Nicaragua

On a Tuesday afternoon in León, Nicaragua, a group of three microfinance borrowers are starting their weekly meeting inside a home built of scrap metal and plastic tarps. The topics at hand are pigs, chickens, feed and finances.

Griselda Campos, Mario Olivar and Darwin Herrera are members of a microfinance borrower group affiliated with *Fondo de Desarrollo Local* (FDL), one of Global Partnerships' newer microfinance partners. Their group, which they named God's Assembly, initially borrowed \$50 collectively from FDL, then \$90. Now they are on their third loan cycle, with a one-year loan of \$250.

But loans are just one piece of what the God's Assembly members have received from FDL. FDL also provides technical assistance to each borrower that's highly specific to his or her loan package. For example, Mario learned how to butcher and package meat for customers. Griselda, who used her loan money to purchase pigs, learned how to care for and feed her animals. And because their loans are part of a special

subsidized portfolio for FDL's poorer clients, they're paying back the loans at a lower-than-normal interest rate.

FDL is one of two microfinance partners (MFIs) that the Global Partnerships (GP) board visited with in early March 2009, during the board's first-ever trip "to ground." Guided by our top-notch Managua staff, board members spent several intense days in Nicaragua witnessing Global Partnerships' unique approach to microfinance, including our expertise on the ground and our emphasis on best-in-class microfinance institutions such as FDL and Pro Mujer in Nicaragua, which combine a sound business model with other services that help borrowers break the cycle of poverty.

Board and staff who attended the trip left with a deeper understanding of GP's model, and with stories about the day-to-day impact our programs are having on people's lives. As board member



GP microfinance partner FDL serves rural farmers in Nicaragua, including Julian, who raises cattle and chickens

Margaret Larson wrote in a travelogue: "Meeting and talking with these people in their homes, and at their farms and businesses, reminded all of us on the Board not just about what we do, but *why* we do it."

Doing the math

If you take out a loan in Nicaragua to buy a piglet for \$70, how much will it cost to raise it? How much will you net after selling it? How soon before you can afford to buy more pigs?

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Three ways to connect with our work



REGISTER FOR OUR BUSINESS OF HOPE LUNCHEON

Our signature event will feature speakers Jim Sinegal, Costco CEO, and a special guest from El Salvador: a microloan recipient who will share her story and inspire you with her entrepreneurial spirit. Join us in downtown Seattle on Tuesday, October 20. Register at www.globalpartnerships.org/boh.htm.



BECOME OUR 1,000TH FACEBOOK FAN

If you become a Global Partnerships Facebook fan, you'll keep up to date on microfinance news, GP events and stories, and help us reach our goal of 1,000 fans by August 1. Search for "Global Partnerships" on Facebook, or go to www.globalpartnerships.org/facebook.htm.



TRAVEL TO EL SALVADOR WITH US ON A PARTNERTRIP

A GP PartnerTrip is a once-in-a-lifetime opportunity to see microfinance in action. This fall, we will head to El Salvador for ten days. For more information, visit www.globalpartnerships.org/partnertrip.htm.



Dear Friends,

How do you know your giving is making a difference? This is a question I ask, and I invite you to ask, of all of the organizations you support. At Global Partnerships (GP), we strive for transparency in our communications and provide concrete examples of how your contribution is improving the lives of people living in poverty in Latin America. By visiting our website at www.GlobalPartnerships.org you can read success stories like those of Justina Gutierrez, who has grown her blanket-making business while receiving prenatal care from her lending organization; or Diego Tohom, whose success has helped him graduate from producing pottery into building a sustainable, small farm.

You can learn about upcoming events and new initiatives by signing up for periodic e-updates if you **Sign Up for News** on our homepage. For those of you who are looking for “behind the scenes” updates, I encourage you to **become a fan** of GP on Facebook. With regular contributions from our team and our friends, Facebook allows you to engage in frequent and informal communications about work in the field and emerging issues in the microfinance industry.

Of course, the best way to see and learn about the impact of your gift is to **travel with GP** on a PartnerTrip. For 15 years, GP has been leading groups to Latin America (see highlights from our recent trip to Peru on this page). I invite you to travel with us this November as we return to El Salvador and visit clients working with our MFI partners Apoyo Integral and Enlace.

However you choose to engage with GP—via the website, Facebook, in person or all of the above, our goal is to create opportunities for you to understand the work your support makes possible and the lasting impact it has on the lives of those we serve.

Warm regards,

Rick Beckett
President and CEO

THE FIRST PERU PARTNERTRIP



To meet some of FONDESURCO's clients, travelers drove three hours from Arequipa to the town of Chivay. One borrower, Jesús Nina Taype, and his wife, Eufemia (pictured at right), have about two-and-a-half acres of land on which they grow potatoes, beans, corn and wheat. Loans from FONDESURCO have helped the family buy the seeds and fertilizer needed to increase their harvest—as well as the cattle that bring income from milk, meat, and farming help.



After journeying to Cusco, travelers participated in an Arariwa communal bank meeting. Arariwa prides itself on serving zones where no other MFI is working and providing small loans. Arariwa also provides education on a number of topics as an integral part of working with their clients. Their education curriculum includes four modules: health, business administration, family well-being, and financial education.

To read the full Peru PartnerTrip travelogue, visit our website at www.globalpartnerships.org/travelogue.htm.

For more information on traveling with us, contact Chris Megargee at 206.652.8717 or cmegargee@globalpartnerships.org.

Next PartnerTrip

**El Salvador
November 2009**

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A Pro Mujer in Nicaragua health worker provides training on women's health issues for its female clients

FDL loan officers excel at this kind of economic analysis. FDL, which started in 1992 as the credit program for Nicaragua's Nitlapan Institute, specializes in rural and agricultural credit, and has developed many innovative financial products to match the particular needs of its client base.

Not only has FDL enjoyed substantial growth—it is the largest non-governmental organization in Nicaragua—but its dedication to improving the lives of rural Nicaraguans is exemplary. Eighty-one percent of clients are rural and the average microloan size for FDL, \$836, is low for an organization that focuses on agriculture.

FDL's flagship social-impact program is its "development portfolio," which offers low-interest loan packages combined with high-touch technical assistance around a specific product. For example, a very poor client might be advised to take on a "pig loan," with a loan-and-assistance cycle finely tuned to what FDL knows about how long it takes a pig to produce piglets that can eventually be sold.

"It's a quick way of advancing income and savings for a client at the low end of the market," explains GP CEO Rick Beckett.

"I was amazed how farmers who initially take a small loan through FDL are able to so quickly change their

own lives and those of their sons and daughters through microfinance," says board member Gregg Johnson. "I loved seeing those families who, after multiple loan cycles, were transforming the lives of others in their village."

Loaning money, saving lives

Pro Mujer in Nicaragua, the other MFI that board members visited in March, is another exemplary MFI that offers a powerful combination of financial and non-financial services to reach people traditionally left behind. Pro Mujer in Nicaragua, like the other four branches of Pro Mujer, focuses on very poor women (the name literally means "For Women"), and offers health services and education to all their clients, as well as business training. It serves more than 222,000 women and 1 million children and families with financial and non-financial services in five countries.

"Pro Mujer believes that credit alone is not enough to lift women and their families out of poverty," explains Gloriana Guillen, communications manager for Pro Mujer. "Healthcare and education not only support a woman's business, but also foster self-confidence in women and empower them to gain further control over their health and other areas of their lives."

A key to the distribution of Pro Mujer's integrated services is the group lending model. Borrower groups of 15-40 members meet every two weeks to repay loans, socialize and participate in health trainings. In addition to providing health education, Pro Mujer operates subsidized clinics that offer health services such as screenings for cervical cancer, a leading killer of women in Latin America. In the last five years, 700 out of 9,000 Pro Mujer clients in Nicaragua who have had a Pap examination were found to have pre-malignant tumors that were

treated. Since joining Pro Mujer, more than 95 percent of clients have had a Pap exam, whereas only 36 percent of clients had an exam before joining.

Pro Mujer also has a solid financial track record, with substantial growth and low default rates: \$181 million in loans was disbursed in 2008, and the organization's loan portfolio at risk of default is less than 1 percent.

FDL and Pro Mujer in Nicaragua are just two examples of how Global Partnerships' MFI partners—which we hand-select through an exhaustive screening process of financial health and social impact—are helping clients improve not just their livelihoods, but their lives.

And our emphasis on partnering with "social enterprise" MFIs, as we call them, is growing in importance. A recent survey by Microfinance Insights, for example, found that 85 percent of MFIs and 61 percent of microfinance investors believe that MFIs should "aim for wider social development beyond financial inclusion."

"It's a virtuous circle," GP CEO Rick Beckett says. "By offering non-financial services to clients that help them succeed in business and life, MFIs are both helping the client and helping themselves." After all, a client who has received technical assistance for a milk-cow venture, or received a training that encourages healthier choices, is a client much more likely to pay back a loan and take out a new one—and to ensure a brighter future for her family.

Read GP board member Margaret Larson's Nicaragua travelogue at http://www.globalpartnerships.org/board_trip.htm.

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For more information,
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www.globalpartnerships.org

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SUCCESS STORY *Angélica Taco Rojas, Chivay, Peru*

By any standard, Angélica Taco Rojas is a successful business owner. The fact that she excels in a poor community with little formal education is even more impressive. After developing cooking skills through years of observing her mother, Angélica borrowed \$300 from Global Partnerships microfinance partner FONDESURCO to help start a business selling prepared food at the local market. Over the past 15 years, she and her husband steadily grew her business and used her savings to buy property and open a combination restaurant/hotel: "Los Portales Restaurant and Hostal."



Angélica standing proudly in her restaurant

Today she offers lodging to the throngs of tourists exploring southern Peru's Colca Valley for its natural beauty and sightings of giant Andean condors. Her hotel boasts 16 rooms and 10 employees and is open every day of the year. Complementing the lodging is a buffet-style restaurant, where guests and locals alike enjoy traditional Peruvian dishes.

She credits FONDESURCO with helping her buy property and open up her restaurant/hotel, and enjoys the ability to prepay her loans without penalty, a luxury other institutions don't offer. Angélica and her husband have four children ranging in age from 10 months to 20 years. One child attends the local high school, and her two oldest children study tourism at the technical institute in Arequipa.

SAVE THE DATE

Seventh Annual

**BUSINESS OF
HOPE
LUNCHEON**

Tuesday, October 20, 2009

11:30am – 1:15pm

**Westin Hotel Grand Ballroom
1900 Fifth Ave, Seattle**

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www.GlobalPartnerships.org

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