

THE UNSUNG HEROES OF MICROFINANCE

Microloan Officers in Latin America

By Chris Megargee, Global Partnerships PartnerTrip Coordinator

Justiniano Osco drove his dirt bike right into the meeting room where 11 women—members of a communal lending group, or village bank, sat awaiting him. The “room” was an open field in Achocalla, Bolivia. Justiniano is the loan officer who leads the twice-monthly meetings for this village bank, providing trainings, facilitating the loan process and supporting these women who are working to better their lives with the help of microfinance.

I had the opportunity to meet Justiniano—a loan officer with Global Partnerships microfinance partner CRECER—last summer. I was immediately impressed by the respect that Justiniano showed the members of this village bank and the rapport he had with them. He started the meeting off with an icebreaker that involved jumping up and down in place—which led to lots of giggles as the women bounced in their broad skirts, derby hats perched on their heads and long braids flapping at their sides. He then led a participative training on good nutrition, complete with posters of the food pyramid.

Though he has every reason to be proud of his work, Justiniano is soft



Village bank members participate in Justiniano's training on nutrition.

spoken and humble. An agronomist by training, he has served as a loan officer with CRECER for 11 years. He loves his job, in large part because he knows he is helping his own people.

Like many microfinance loan officers, Justiniano has a background that is very similar to the clients that he serves. He grew up in a poor, rural community: His parents were small farmers, working a tiny plot of land with a few animals.

“My childhood was very difficult. I didn't know what shoes were,” he explained. He described how he and his clients “share the same culture, the same traditions, the same language.” (The entire bank meeting was conducted in Aymara, the indigenous language spoken in this region.)

Justiniano's daily attire is a padded jumpsuit he wears for protection over his clothes as he rides his motorcycle. It's a must, given that he visits four village bank meetings per day, traveling over rough dirt roads to get to each one.

Justiniano visits 20 meetings every week, with some requiring a two-and-a-half-hour ride. His dedication to visiting communities in remote regions is typical of microfinance loan officers, and reflects a key difference between microfinance institutions and traditional banks. While banks have an office in the city and require you to go to them for service, microfinance organizations are proactive in their outreach, traveling to where their clients live.



Justiniano visits 20 village bank meetings a week, often in remote areas.

Justiniano is one of hundreds of loan officers with Global Partnerships microfinance partners who make these connections happen. If there are heroes in the world of microfinance, surely Justiniano and the many loan officers like him must be counted among them. The members of the 20 village banks Justiniano visits on his dirt bike each week would surely agree.

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Q&A WITH RICK BECKETT

GLOBAL PARTNERSHIPS' INVESTMENT STRATEGY



Editor's note: On the eve of Global Partnerships' first Social Investor Forum on June 8, we sat down with President Rick Beckett to talk about GP's microfinance investment funds.

Global Partnerships (GP) has launched three microfinance investment funds that have accelerated the amount of capital GP is able to invest in Latin American microfinance institutions. What was the genesis of this strategy?

The fund strategy was driven by the belief that there was never going to be enough philanthropic capital available to expand microcredit to reach everyone who needs it. With our first fund, the \$2 million 2005 fund, the aim was quite simple—to demonstrate that you could use investment dollars rather than philanthropic dollars as capital, loan it to microfinance institutions (MFIs) and get it back.

How have the funds evolved in recent years?

As we moved into the 2006 and 2008 funds, and even more so with our upcoming 2010 fund, we have really sharpened our fund structure, designing funds with different combinations of financial return, social return and risk that appeal to different types of investors. For example, development banks such as the Inter-American Development Bank (IDB) invest in our funds in part because it advances their mission to stimulate economic development in Latin America. Foundations invest to align their portfolio with their mission. And the combination of low risk, high social impact and modest financial returns that our funds offer attract individual and institutional investors, such as Seattle University. Donors also participate in an essential way by contributing to the base “equity” layer that makes the fund possible. That's the genius of the fund structure now—it's not one size fits all.

How does GP's investment fund strategy compare to that of other organizations that offer microfinance investment funds?

I would distinguish us in that GP is consciously building a portfolio of social enterprise MFIs, meaning microfinance organizations that are profitable but deeply committed to social impact. Our MFI partners reinvest their profits in programs that either help them be more inclusive—that is, being affordable or reaching underserved markets—or more innovative, combining microfinance with education, health programs, rural development or small enterprise development.

In contrast, most microfinance fund capital flows to commercial microfinance institutions, which are profitable and doing some good work, but not reaching the most vulnerable people and not driving social innovation.

How has the field of social investing changed?

The first take on socially responsible investing was essentially the idea of “Do less harm”—socially screened investments. Increasingly, investors are saying, “It's not just that I don't want my money invested in tobacco or alcohol or firearms, it's that I want my resources used to make the world a better place.” In GP's case, more investors are realizing that all microfinance isn't created equal and so we're getting into discussions about why it's important to reach underserved populations and to fund microfinance programs that offer services beyond microcredit to achieve higher impact.

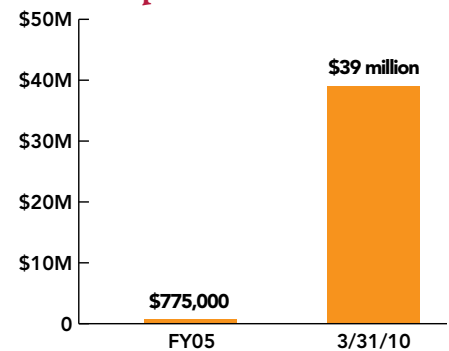
Have Global Partnerships' funds been successful?

In five years we've been able to go from under a million dollars in capital invested to \$39 million to date, with another \$20 million around the corner. As for financial performance, we're currently invested in 27 microfinance institutions and every one of them has paid back

GP Microfinance Funds at a glance

- Number of funds launched since 2005: **3**
- Amount of most recent fund: **\$20 million**
- Number of MFI partners before our first fund: **4**
- Number of MFI partners today: **27**
- Number of borrowers reached through MFI partners: **817,000**
- Percent of investors repaid in full and on time: **100%**

Growth of GP Fund Capital at Work



their loans on time. As the saying goes, “current performance is not a guarantee of future performance,” but it's promising in terms of our focus on creating a fully sustainable model.

What's exciting to you right now about the microfinance programs that GP is investing in?

I like the combination of microfinance with health education and services to fully leverage the village bank channel for reaching lots of people. I'm intrigued by the opportunity to use microfinance in concert with investment in economic development—fair trade cooperatives, rural small enterprise—to move the needle on income expansion and job creation for people living in poverty.

BANKING ON GOOD HEALTH

Global Partnerships partners to improve health through microfinance

Ana Luz García is a single mother of two children in Nicaragua whose first microfinance loan from Pro Mujer, a microfinance partner of Global Partnerships, was \$40. She used the loan to expand her seafood business.

Like many Pro Mujer clients, Ana received some health services and education from Pro Mujer as part of her client benefits. These included a screening for cervical cancer, a highly preventable disease that is a leading killer of women in Latin America because so few women are screened. In Ana's case, the screening proved to be life-saving—it led to a diagnosis of early-stage cervical cancer. Ana received treatment and recovered, and now has a thriving business. She is even able to save for her children's education.

Ana's case is but one example of the kind of health success story that Global Partnerships hopes to multiply through a new microfinance-health initiative with Pro Mujer and PATH, a Seattle-based global health nonprofit. Launched in October 2009, the initiative aims to improve healthcare for poor women and their families in Latin America by expanding access to health solutions and education offered by microfinance institutions.

"We believe that microfinance institutions (MFIs) are an untapped, potentially powerful, way to address key health challenges for people

living in poverty," says Lara Puglielli, GP's vice president of Latin American programs, who is overseeing the project. "MFIs are already experts at reaching numerous poor and underserved people, often in remote settings."

The initiative is building on Pro Mujer's already-strong track record of providing women in Latin America with a package of financial services, healthcare and training. The first phase—in process right now—involves a comprehensive assessment of high-impact, low-cost opportunities to improve health for Pro Mujer clients. Global Partnerships, which is serving as project manager for the initiative, is particularly focusing on how MFIs can offer such services on an economically sustainable basis.

Based on the assessment, the partners are developing a proposed package of low-cost health services focusing on health conditions that affect Nicaraguan women and their families, which will then inform a pilot project for Pro Mujer. Depending on the findings, the pilot may focus on strategies such as simple practices to improve children's health; screenings for cervical and breast cancer; or education for women on topics such as domestic violence or how to become more educated consumers of healthcare.



The microfinance-health initiative will build on Pro Mujer's track record in health programming.

"Village bank meetings are an easy and powerful way to reach women with access to lower-cost, higher-quality, health services than would be available to them as a non-client," says Global Partnerships' Puglielli. "We're looking at what type of education is most effective and what business model is most sustainable to deliver it."

Initially, the initiative aims to see improvement in the health of Pro Mujer's Nicaragua clients. Ultimately, the hope is to create a powerful model to demonstrate how MFIs can be leveraged to provide health solutions and education that can improve lives—and save lives.



Microfinance can be a powerful channel to reach rural clients with health trainings, like this one in Nicaragua.

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SUCCESS STORY Etbel Janet Bonifacio de Urbina

Family situation: Husband and two sons, ages 10 and 15

Location: San Martín, El Salvador (about a 30-minute-drive from San Salvador)

Work: Storeowner, homemaker and mother of two

MFI: Apoyo Integral

Growth of her business:

Etbel began her convenience store as a single small table in front of her home about 15 years ago. Her business got a significant boost three years ago when she began receiving microloans from Apoyo Integral, starting with a loan of \$300. She's on her third loan, for \$600.

How microcredit has helped her:

Etbel invests much of the profits from her business in her children. Although Etbel's husband, a teacher, makes a decent living, his salary is not enough to pay for health insurance



for their sons. Etbel's earnings cover the costs of her sons' medical insurance and their regular wellness visits. In addition, it costs nearly \$300 a year for her sons to attend public school. She uses profits from her store to pay for public school fees, books and school supplies.

Key quote: "My children are my savings. They are my investment."

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3 Make a \$20 gift
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Contributors: Beth Castleberry, Chris Megargee, Elisa Murray

Photo credits: Chris Megargee

Edited by Maya Baxter Pawlitschek

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