

GLOBAL PARTNERSHIPS



Presented By:
PUGET SOUND
Business Journal
Business Leaders Get It.

Sponsored By:
MATTHEW G. NORTON CO.

MCM A MEISENBACH
COMPANY

GLOBAL PARTNERSHIPS

www.globalpartnerships.org
SPECIAL MARKETING SUPPLEMENT

- 1A-----WHO IS GLOBAL PARTNERSHIPS AND WHAT IS MICROFINANCE?
- 2A-----PROFILE OF PARTNERS (MICROFINANCE INSTITUTIONS) AND BORROWERS
- 4A-----CORPORATE COLLABORATION (3 COMPANIES)
- 5A-----PARTNERTRIP EXPERIENCE
- 6A-----Q&A WITH THE FOUNDER
- 7A-----CORPORATE SPONSOR OP-ED
- 8A-----OTHER OP-ED

GLOBAL PARTNERSHIPS: DEEPENING SOCIAL IMPACT THROUGH MICROFINANCE

By Cynthia Flash

What can \$60 buy in Seattle? A dinner for two at a three-star restaurant. A haircut at a top salon. A shirt at Nordstrom.

For Isabel Vásquez, \$60 and a relationship with Seattle's Global Partnerships bought the beginning of a new life. The single mother of three, who lives in Colon, La Libertad, El Salvador, received the \$60 in the form of a small loan, or microcredit, in 1999 to help her start a clothes making business — and to help her mother begin a chocolate-making business.



Isabel Vásquez, seamstress and microloan recipient, at work in her shop in La Libertad, El Salvador.

Eight years later Isabel's business is thriving and her life is changed. The money that can easily be spent in the Puget Sound area on a restaurant meal, a good haircut or a nice shirt gave Isabel the start to grow her business to a point where she now has about 100 customers. Since she dutifully made payments on the loan each week and paid back interest, she was able to take out additional loans. She was also able to build her own home through a mortgage product. The money also made it possible for her children to attend school and graduate from high school, something that because of tuition fees the majority of people living in such poverty are unable to afford.

Microfinance — a term describing the variety of financial products now available in the developing world — is a proven, market-based solution that empowers poor people to help themselves.

Access to microfinance has a profound effect in the lives of borrowers and their families. A loan as small as \$100 can give someone like Isabel who is living in poverty the boost she needs to start or expand her own business and begin to build a better life. As their businesses grow, borrowers are better able to feed their families, send their children to school and access basic healthcare.

As borrowers pay back loans, they are able to obtain larger ones to continue to grow their businesses and improve their lives. Microfinance has proven to be extraordinarily successful, with leading microfinance institutions (MFIs) reporting that more than 98 percent of loans are repaid.

Isabel is one of 465,000 people helped by Global Partnerships, a 14-year-old Seattle non-profit dedicated to expanding opportunities for people living in poverty. Global Partnerships, founded by Seattle philanthropists Bill and Paula Clapp, helps people like Isabel by raising philanthropic and socially motivated investment dollars in the United States. Global Partnerships then loans the money to approved MFI partners in Nicaragua, Honduras, El Salvador, Guatemala, Bolivia and Peru; these partners, in turn, offer financial services to poor and underserved communities throughout the region.

With constant oversight and input from Global Partnerships, the MFIs offer a wide range of financial services — including school access loans, mortgage and insurance products — to a segment of the population once deemed unbankable. Although borrowers pay interest rates of 20 to 36 percent annually, it is far less than the alternatives: loan sharks or credit cards carrying even higher rates. One encouraging sign is that as competition increases among lenders and credit history is developed, Global Partnerships is witnessing a decrease in the rates charged to the borrower.

“We’re about real impact in the lives of real people,” said Rick Beckett, who took over as President and CEO when Bill Clapp stepped down last August. “We’re trying to help as many people as we can and make a real difference in the lives of people in poverty.”

Globally there are 560 million poor people who could benefit from access to microfinance, yet only 113 million have access. Of the world's 6.6 billion people, about half, or 3 billion, live on less than \$2 a day and more than 1 billion people live on less than \$1 a day. Taking on world poverty is a huge job that can't be done alone. But Global Partnerships has always led the way.

It was among the first U.S. non-profit organizations to address poverty through microfinance, believing that poverty is at the root of some of the world's greatest challenges, and believing that those living in poverty can lift themselves and their families up if given the chance.

“We’re about real impact in the lives of real people,”

—Rick Beckett, President and CEO

Global Partnerships — in its never-ending quest to expand and help more people out of poverty in creative ways — has developed a strategy to increase access to financial services for the poor by facilitating the growth of the microfinance industry. Global Partnerships connects its microfinance institution partners to multiple financing opportunities and provides guidance and technical assistance on the ground to help them qualify for loans, fulfill reporting requirements and achieve performance targets — all to help more people get themselves out of poverty.

For 12 years, Global Partnerships used philanthropic donations to invest in microfinance institution partners in Latin America. Each partner is thoroughly researched to make sure it can sustain and grow its efforts to help the poor. Once the MFI receives its loan, Global Partnerships' team of Latin American financial analysts evaluates each organization's performance against its business plan, focusing on an established set of business and social metrics.

In 2005 Global Partnerships took a significant step forward in the world of microfinance by creating its first \$2 million Microfinance Fund. The fund combines socially motivated private investments from institutions and accredited individuals with donations to dramatically expand the amount of capital available for investment in microfinance. The first fund invested in eight MFI partners. Private investors receive principal and interest back based on the performance of the fund. A second \$8.5 million fund closed in 2007 with investments in 14 microfinance institutions, and a third fund is planned.

“One of the problems in microfinance today is there isn't enough capital for (microfinance) institutions to reach all the people,” Beckett explained. If each of the 560 million individuals who could benefit from financial services were to receive a \$200 loan, the cost would be \$112 billion. Donors worldwide don't have that much money, so turning to the capital markets and private investors provides another option.

“We’re trying to open more capital so we can reach more people,” he said.

Initial investors in Global Partnerships' two funds say that supporting the funds is a natural extension of their belief in Global Partnerships' work.

“I'm just fascinated with the whole concept of micro-lending and the positive impact it can have on people's lives,” said Bill Schultheis, a Bellevue financial planner who invested in the second fund, hoping that, microcredit financing soon will be broadly recognized as a viable asset class for retail and institutional investors. “If we are going to address and eliminate poverty on a widespread scale, it will be through giving people the opportunity to help themselves.” Maureen Lee and her husband Mark Busto are also interested in the microfinance investment model and have made investments in both of Global Partnerships' funds. “As a



Rick Beckett, President and CEO, Global Partnerships.

-cont. from 1a

result of our investment in Global Partnerships and the education that we then began, we have chosen to invest in other international entities, both for profit and not-for-profit, that try to reach people in very rural, very poor parts of the world."



Silvia Contreras of Honduras has owned her tortillería for more than seven years, thanks to microloans from Global Partnerships' microfinance partner, ODEF.

Global Partnerships also recently joined forces with the Grameen Foundation, which will provide side-by-side loans and facilitate financing from local banks. The issue of microfinance earned international attention last year when the Grameen Bank and microfinance leader Muhammad Yunus won the Nobel Peace Prize.

Where will that relationship and the new Microfinance Funds take Global Partnerships? The organization is looking forward - to help deepen the impact its partners have in the lives of poor people. Women are receiving services to keep them healthy so they can continue to run their businesses and provide for their children. In 2006, through one of their partners, Global Partnerships helped fund cervical cancer tests for 9,600 women to stave off the key killer of women in South America. Some 684 tested positive and can now be treated. The organization is also looking at how it can help rural farmers — perhaps by funding farming co-ops — in the future.

There still is much to do.

Global Partnerships works for people like Silvia Contreras, who with her daughter and two employees built a tortillería in Colonia Islas del Progreso, Honduras, into a business that now makes about 900 tortillas every day. She needs another loan to raise the ceiling in her house so it doesn't fill with smoke. She's seven years into her business and wants to keep going.

Global Partnerships plans to help.

"We need to raise billions of dollars around the world," said Bill Clapp, who still serves as board chairman. "We will concentrate heavily on the growth of the financial industry into more financial products for the poor. Global Partnerships has been interested in not just providing service. Microcredit is not the whole answer. How do we provide the skills we learned as an organization in related fields that will help people move out of poverty permanently to end this time when poverty is so predominant in poor countries? We see there's a need for great services and tools, and we're committed to what we can do in that regard."

EXPANDING OPPORTUNITY FOR PEOPLE LIVING IN POVERTY

By Cynthia Flash

With two small loans — one for \$50 and a second for \$100 — Ana Luz Tobar has gone from a 28-year-old unemployed single mother of two boys to the owner of a small store in her home where she sells food and clothes.

With profits from her business she has been able to send her children to school and buy food and medicine. She works hard and dreams big. Twice a week Ana travels for six hours to San Salvador to purchase the clothes to resell in her village of Santo Domingo. She has plans to grow her business and to buy a home that will protect her family from the floods of the rainy season. A new home with access to electricity will help Ana realize her goal of purchasing refrigerator to sell cold drinks and meat in addition to the dry goods and clothes she currently sells.

Today, Ana is one step closer to reaching her goals thanks to investments from Global Partnerships in Enlace, one of Global Partnerships' microfinance institution (MFI) partners in El Salvador.

Global Partnerships raises the funds to help individuals like Ana and partners with MFIs in the communities where the borrowers work and live. It is the MFIs who identify the borrowers, manage the loans, and work to make sure the borrowers are successful in their businesses and are able to make their weekly or monthly loan payments. Global Partnerships takes great care in selecting MFI partners.

"We have 14 years of experience working with microfinance partners in Latin America," explains Global Partnerships CEO Rick Beckett. In addition to the team in Seattle, Global Partnerships has a staff of seven professionals on the ground in Latin America — including an agronomist, an agricultural economist, and banking, agricultural and financial experts who are native Latin Americans fluent in English. "We have both a due diligence and monitoring process. We collect monthly and quarterly reports and evaluate how the MFIs are performing against both our financial and social impact measurements. It's because of the quality of our due diligence and monitoring process that we're approached by others to do their due diligence and monitoring work for them."

Founded in 1993, Global Partnerships partners with 19 MFIs that reach 465,000 borrowers and touch 1.8 million lives in Latin America.

Global Partnerships' focuses on "emerging" MFIs — organizations which are well managed, profitable and sustainable, ones that have not been able to tap commercial pools of capital. With loans and managerial assistance from Global Partnerships, these next generation MFIs will one day be able to access commercial sources of capital and provide more borrowers with access to microfinance. A closer look at two examples of these organizations:

AMC serves borrowers in the eastern and central part of El Salvador. Founded as a credit program in 1996, AMC is now a specialized financial organization with 14 branches serving 12,500 borrowers. AMC is strongly committed to serving those in rural communities with average loans of \$100 to \$500. Today 64 percent of its clients are women between the ages of 26 and 40 who support an average of seven family members with their businesses. Global Partnerships is committed to focusing on impoverished areas and leaving no one beyond the reach of microfinance, and AMC's work in rural, underserved communities and its offering of entry-level loan products meets these criteria.



Gabriel Sequeria, entrepreneur and PRODESA microloan recipient, at work in his saddle-making shop.

One AMC borrower is José Antonio Díaz, a hammock maker who six years ago took out his first loan and has had four loans since. -cont. on 3a