A Leap Beyond Microfinance: Bundling Microloans with High Impact Social Services

The nongovernmental organization Global Partnerships is redefining microfinance. Moving beyond the concept of microloans as working capital, it aims to achieve greater impact in reducing poverty by combining these loans with affordable social investments, such as health services, training and low-cost pensions and insurance.

This approach represents a significant strategic leap compared with traditional microfinance lending. It conceives of low-income borrowers not only as economic agents, but also as individuals and family members who need advisory, educational, and health services, among other products, to raise their living standards in conjunction with access to finance.

The new Global Partnerships Social Investment Fund 2010 seeks investments in Latin America that are financially sound, competitively strong and with projects displaying an exceptional level of social impact.

Global Partnerships, which has its main offices in Seattle, Washington, and Managua, Nicaragua, will use its extensive experience to identify microfinance institutions that are socially driven and have the capacity to bundle financial products with low-cost social services, such as regular medical check-ups, training in agriculture and other areas, the introduction of new microbanking technologies, insurance, and small-scale pension systems. These services are to be financed by affordable contributions from the beneficiaries. By combining financial and nonfinancial services with working-capital microloans and new microfinance technologies, Global Partnerships and its portfolio organizations will achieve a greater impact in breaking the poverty cycle.

Social Investment Fund 2010

To help finance this strategy, the IDB is participating in the $25 million Social Investment Fund 2010 by providing a $5 million loan from its Opportunities for the Majority facility. The resources will be channeled to about 20 qualified, highly motivated microfinance institutions serving low-income and rural communities in 11 countries in Latin America. The program is expected to improve the lives of 500,000 low-income borrowers while at the same time providing a positive return to lenders.

Since it was founded in 1994, Global Partnerships has developed an excellent track record for sound financial management. In addition to providing small loans for productive activities and resources for social services, Global Partnerships has also introduced new financial and management technologies tailored to the microfinance market. Among them are evaluation and training tools, foreign currency hedging mechanisms and program impact measurements.

Examples of Global Partnerships’ successful experience in bundling social services with microloans are its investment in Nicaragua, to support ProMujer, which has screened 10,000 women microentrepreneurs through medical checkups for cervical cancer, saving 700 lives, and in El Salvador, with Apoyo Integral, which combines microloans with affordable life and health insurance.

The IDB support for the Social Investment Fund 2010 is designed to help ensure the sustainability and expansion of Global Partnerships’ portfolio, as well as to counteract a trend in recent years in which some microfinance institutions are reducing social investments. Global Partnerships’ innovative approach, combined with its business skills, is expected to result in successful experiences that can be repeated and expanded throughout Latin America and the Caribbean.

For more information about the program
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