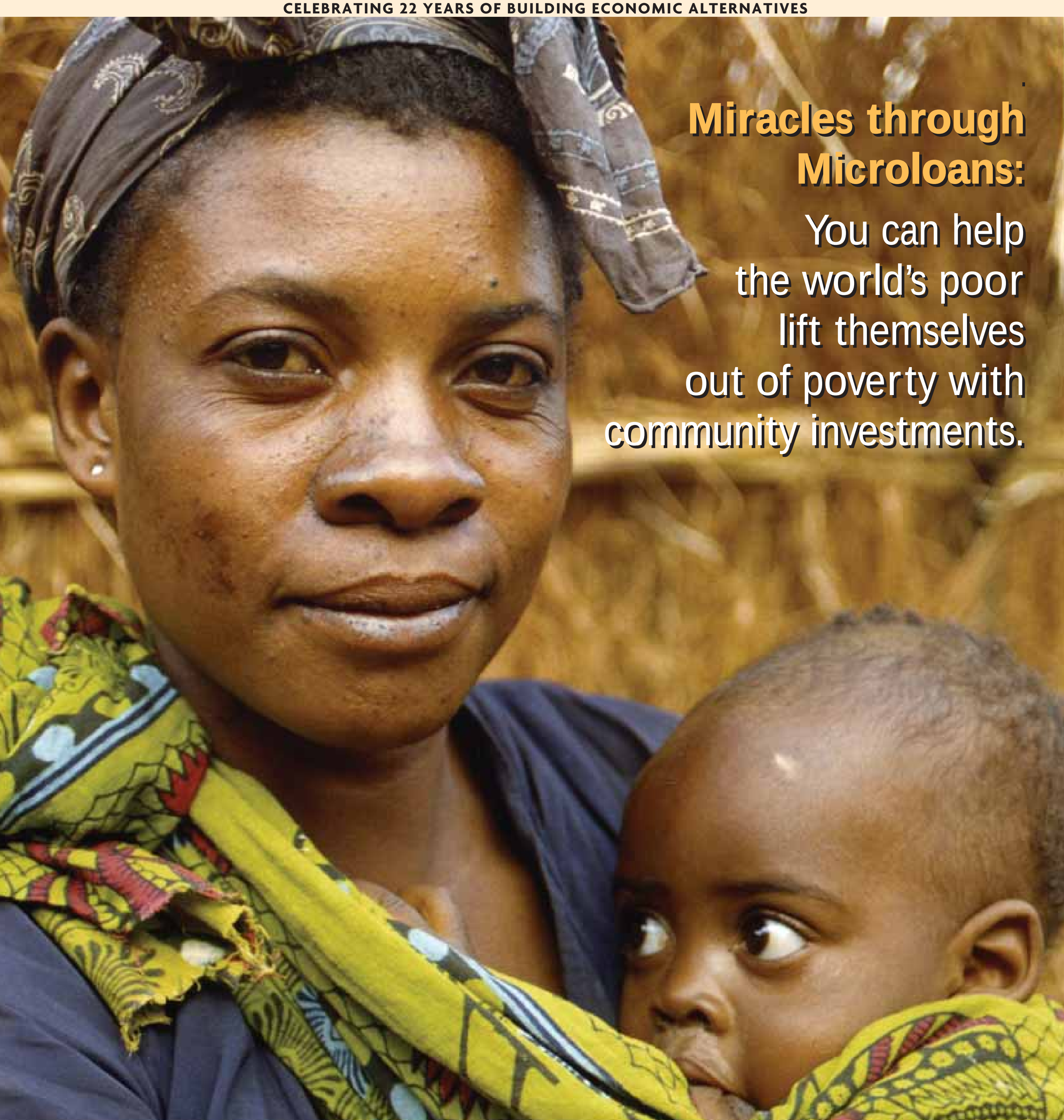
Co-op America

Investing for the World

CELEBRATING 22 YEARS OF BUILDING ECONOMIC ALTERNATIVES



Miracles through Microloans:

You can help the world's poor lift themselves out of poverty with community investments.

In Cooperation

Investing for Justice and Sustainability

After free and fair elections in South Africa ended the Apartheid regime in 1994, Nelson Mandela, the newly elected president, sent his finance minister to the US to personally thank Co-op America and other leaders of the divestment movement.

The minister told us that Nelson Mandela counts the divestment movement as one of the key factors that contributed to the defeat of Apartheid. He said that social investors, taking matters into their own hands, accomplished what the US government refused to do: Divestment created effective economic sanctions on the Apartheid regime.

Then he conveyed a most urgent message from Nelson Mandela: Reinvest in South Africa. He asked us to once again take matters into our hands as investors, and not wait for US government action.

And social investors responded. We began including South Africa reinvestment in our powerful strategy to meet the needs of people in the most economically disadvantaged communities here in the US and around the world—community investing. Today, community investors are playing an important role in South Africa and many other African countries.

After the war in Afghanistan and after the disastrous tsunami hit Asia, community investors were among the first on the ground to help with the rebuilding. Year after year, community investors have worked around the world to combat poverty and create healthy, sustainable communities—from Alabama to Bangladesh, from Wisconsin to Zambia.

Community investing organizations teach; they learn; they provide loans and technical assistance. Many of the loans are tiny, microloans that allow people to purchase their first sewing machine or first solar-powered refrigerator that then becomes the basis for a micro-business. In turn, the business provides income for a family to put food on the table three times a day, send their children to school, and save money to purchase a home.

Community investing, including the microcredit it provides, creates economic opportunity where there was none before. It gets people participating in their own futures and the futures of their communities. It's a people-to-people strategy that moves forward even when governments stall.

That's why the United Nations declared 2005 the International Year of Microcredit. And that's why we've created this special issue of *Co-op America Quarterly* to encourage you to get more involved in community investing around the world. Turn the pages to learn how—and witness the inspiring stories of how community investing is making a difference every day.

A major force, community investors in the US have already invested over $14 billion in communities here and abroad. And the best way to make community investing even stronger is to get more people involved. So three years ago, Co-op America and the Social Investment Forum Foundation launched the "1% (or more) in Communities" campaign to encourage our members to devote at least one percent of their savings and investments to community investing.

> "If you want your money to work for justice and sustainability, become a community investor."

The response has been amazing. In three years, our members have channeled $1 billion of new investments into communities in the US and worldwide.

One billion dollars! How did we do that? It's the power of small amounts working together to do heavy lifting. Many of our members, with investments small and large, have taken up our challenge and committed one percent or more of their personal savings to community investing. Some members then got congregation, university, or workplace treasuries involved in community investing. One member's synagogue outside of Los Angeles held a community investing fair and got $750,000 in commitments from the congregation in one afternoon.

Many of our social investing members, including large mutual and pension funds, have committed one percent of their funds to community investing. That means that every time a client opens or adds to an account, one percent automatically goes to communities.

Everyone can become a community investor. Here's what we recommend:

1. Open a checking, savings, money market, or CD account at a community development bank or credit union. None in your neighborhood? No problem! My checking account is in a completely different city—with direct deposit of my paycheck and ATM machines, it's very easy to manage.

2. Go beyond banking—internationally. Turn to our Resource section (p. 20) for recommendations on great ways to invest around the world.

3. Go beyond banking—domestically. Turn to "Community Investing at Home" (p. 18) for all the details, and learn more on our Web site, www.coopamerica.org/go/communityinvest.

4. Educate your financial adviser about community investing. Give your adviser a copy of this guide, and send her to our special Web site for financial professionals in partnership with the Social Investment Forum Foundation, www.community-invest.org.

5. Spread the word about community investing—get the finance committees at your faith congregation, school, and office invested!

As Pope Paul IV said, "If you want peace, work for justice." Put your savings and investments to work, too—if you want your money to work for justice and sustainability, become a community investor.

For the future,

Alisa Gravitz, Executive Director

m designates Co-op America Business Network Member

Table of Contents

Co-op America is dedicated to creating a just and sustainable society by harnessing economic power for positive change. Co-op America's unique approach involves working with both the consumer (demand) and business (supply) sides of the economy simultaneously.

Co-op America's programs are designed to: 1) Educate people about how to use their spending and investing power to bring the values of social justice and environmental sustainability into the economy, 2) Help socially and environmentally responsible businesses emerge and thrive, and 3) Pressure irresponsible companies to adopt socially and environmentally responsible practices.

Here's what you can do:
Reduce, reuse, recycle, and repair to conserve and protect the Earth's resources. Read *Co-op America Quarterly* and *Real Money* for sustainable living tips for you, your workplace, and your community.

Reallocate the purchases you make from irresponsible companies to socially and environmentally responsible businesses. Turn to Co-op America's *National Green Pages*™ to find green businesses. Use Co-op America's long distance phone and travel services.

Reinvest in the future through socially responsible investing. Turn to Co-op America's *Financial Planning Handbook* for your how-to guide. Use the financial services of Co-op America business members.

Co-op America's programs are supported almost entirely by contributions from our members. Individual memberships begin at $20, business memberships at $85. All members receive our publications and access to our services. Business membership, pending approval, also includes a listing in Co-op America's *National Green Pages*™.

As a national nonprofit 501(c)3 membership organization, all contributions to Co-op America are tax-deductible. We welcome your membership and contributions.

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Investing for The World

FINCA

FINCA's village banks help those in poverty around the world build homes, start microbusinesses, and improve their communities.

Introduction 2
What You Need to Know 6
Investing for Maximum Impact . . 8
- *Empowering Women* 8
- *Fostering Fair Trade* 9
- *Toward an End to AIDS* 11
- *Clean Energy for All* 12

Tools You Can Use 14
Community Investing at Home . . 18
Resources 20

Rohanna Mertens

Combatting world hunger. Growing locally owned businesses in developing countries. Providing relief after natural disasters and war. These are some of the international issues that community investors can positively impact—simply, quickly, and powerfully. Co-op America invites you to become a community investor today.

Investing for

AFTER 15 YEARS OF EXPOSURE TO ASBESTOS AS A MINER IN SOUTH AFRICA, NICODEMUS PHORI VISITED HIS DOCTOR AND RECEIVED AN UNWELCOME DIAGNOSIS. HIS WORK IN THE MINES WAS KILLING HIM, HIS DOCTOR SAID, AND HIS ONLY CHANCE TO AVOID A SEVERE LUNG DISEASE WOULD BE TO QUIT HIS JOB.

As an 11-year-old in the small village of Sannigala in India, Annamma (who uses one name) was married into a relative's house. In a drought-stricken area of her country, Annamma settled into her roles as wife and mother and bore eight children. She struggled so hard to feed them, at times she felt hopeless enough to contemplate suicide.

Teodora Acuna had spent 20 years as the proprietor of three food stands in one of the busiest outdoor markets in Lima, Peru, when a fire swept through the market and destroyed her livelihood. Undaunted, she spent two years saving money to buy another stand, but found it hard to stock her shelves as fully as before. Her inability to purchase the supplies she needed forced her to send many potential customers to other stands.

Facing illness, poverty, and financial disaster, Nicodemus, Annamma, and Teodora all refused to give up. Though their problems were big, the solutions were small. For each of them, what made the difference between survival and financial ruin were microloans, or low- or no-interest, no-collateral loans in amounts that would appear almost insignificant in many American household budgets. Those loans were made possible by community investors.

Community investing directs investor money into areas across the US and around the world underserved by traditional financial institutions. Community investing makes it possible for local organizations to provide financial services to individuals in need, and to supply capital for small businesses and vital community services, such as child care, affordable housing, and health care.

When you choose to place money in community investing institutions—even in small amounts—your money goes to work helping people with the greatest need lift themselves up economically. In developing countries, community investing is saving lives and improving areas hit hard by poverty.

"Microlending now plays a key role in the growth and success of new businesses in underdeveloped rural towns and cities in Africa, Asia, Latin America, and South America," says Jean Pogge, community investing program chair for the Social Investment Forum. "This is one of the most important ways that individual and institutional investors who participate in community investing can make a huge difference."

That's why Co-op America and the Social Investment Forum Foundation sponsor the 1% in Community campaign, to encourage people like you to shift a portion of your savings and investments into vehicles dedicated to providing life-changing funds to the people who need them the most.

A BRIEF HISTORY OF MICROLOANS

Although cooperatives and rural lenders provided non-collateral loans to poor farmers in various parts of 19th century Europe, most observers look to 1970s Bangladesh as the birthplace of microlending as it is practiced today.

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FINCA

the World

Shared Interest

Teodora Acuna [left photo], Annamma [not pictured], and Nicodemus Phori [right photo] all turned from poverty to successful entrepreneurship with the help of international community investments.

It was in 1976 that Muhammad Yunus, an economics professor in Bangladesh, met Sophia Khatoon, a 22-year-old furniture weaver. With no money to buy her raw materials, Sophia was dependent on a supplier who provided materials on credit, but also established the price at which he would buy Sophia's finished goods. That price was so low that Sophia barely made ends meet and could not possibly save enough money to buy materials from someone else, trapping her in a cycle of poverty.

"She was making only two pennies a day," Yunus explained on the PBS program *Nightly Business Report* in February. "And I couldn't believe that someone could make only two pennies for making such beautiful stools. After a discussion with her, I found out she had to borrow money to buy the bamboo, which was only 25 cents. But she didn't have the 25 cents. So she had to borrow it from the trader, who gave the condition that she had to sell the bamboo stool when it's finished to him—at the price that he decided."

Prof. Yunus realized that a small loan of the equivalent of two US dollars would help Sophia escape her situation, so he loaned her some money for materials. Within months, Sophia had repaid the loan and increased her income sevenfold.

Based on this experience, Prof. Yunus embarked on a campaign to convince local banks that individuals without access to collateral are still credit-worthy. When he found no bankers interested in his ideas, he decided in 1983 to found his own bank, named Grameen Bank, with just such a mission in mind.

"[Traditional banks] explained to me that the banks cannot lend money to poor people because they are not creditworthy," recalled Yunus. "But it's actually a much better [risk] than giving it to rich people ... Poor people are paying [the money] back."

In fact, Grameen has found that on the average, their poverty-stricken clients pay back their loans at an astonishing rate of 97 percent. In the years since Yunus first began experimenting with microcredit, other banks have followed Grameen's lead, offering small loans at fair and affordable interest rates to the poor. Time and again, Yunus' experience has been repeated, with most microcredit programs reporting repayment rates between 95 and 100 percent, better than those of many commercial banks.

Many nonprofit organizations dedicated to eliminating poverty have adapted the Grameen model as a vehicle for creating social change. The resulting microlending organizations have been so successful that both the United Nations and the US government have promoted the use of microcredit in anti-poverty efforts like the UN's Millennium Development Goals. Established in 2000, the Goals aim to reduce by half the number of people worldwide who live on less than a dollar a day (right now 1.2 billion people, or 20 percent of the population) within 15 years. To that end, the UN declared 2005 the International Year of Microcredit.

"A small loan can make all the difference to a poor or low-income family," said UN Secretary General Kofi Annan, announcing the Year of Microcredit. "With access to microfinance, low-income families can earn more, build up assets, and better protect themselves against unexpected setbacks and losses. They can move beyond day-to-day survival towards planning for the future. They can invest in better nutrition, housing, health, and education for their children."

In Bangladesh, that's exactly what people are doing. Twenty years after its founding, the Grameen Bank now operates 1,000 branches in more than 47,000 villages, employing 12,000 workers. It had around four million borrowers in 2004, to whom it loaned approximately $40 million. According to the Microcredit Summit Campaign, all microcredit providers together have made a difference to more than 80 million entrepreneurs in Peru, India, South Africa, and other countries around the world.

MICROLOANS: THE RESULTS

When an entrepreneur with a microloan succeeds, everyone benefits. Not only does the loan recipient lift herself or himself out of poverty, but the enterprises resulting from the loans create jobs in areas that need them the most. In turn, those businesses bring vital services to the most underserved communities.

For Teodora, the Peruvian food stand owner, her microloan seemed like fate. She was working in her rebuilt stand one day when, due to lack of inventory, she began to point a customer in the direction of a competing stand. The customer turned out to be a loan officer at Mibanco, a local affiliate of ACCION International, a microfinance nonprofit.

"He asked me if I was having trouble with inventory, and if it would help to have a business loan," Teodora says. "It was like he was sent from above."

Teodora began with a loan of $100 to increase her inventory. She paid this loan back and, over the following years, began taking out more small loans to expand her business, first with a refrigerator to display cold beverages and other food products, then adding on more spaces at the market. Today, Teodora owns 11 market stalls, and with her increased income she has been able to improve her home, installing an indoor bathroom and a roof that doesn't leak.

The story is similar for Annamma. Introduced to SHARE Microfin Limited, she decided to take out a small loan for a buffalo. Discovering a talent for animal husbandry, Annamma went on to purchase more animals with additional loans and now tends a herd of 25 goats that she uses for income.

After leaving the mines, Nicodemus decided to trade on his building skills and start his own construction business. He knew he couldn't hire workers or secure contracts on his own, so Nicodemus applied for a loan from the Indlu Finance Company, which was underwritten by Shared Interest. With Indlu's assistance, Nicodemus got a government contract to build 40 houses, which he built efficiently, well, and ahead of schedule, leading to a second contract—this time for 250 houses.

The success of all three of these individuals wouldn't have been possible without the assistance of thoughtful people who put their investment dollars into international community investments.

"International community investing allows us to use our investment dollars in a way that has a direct impact on communities worldwide," says Fran Teplitz, Co-op America's director of social investing programs.

Not only are community investors helping people around the world achieve better lives for themselves and their communities, but they're also having a real impact in other ways, some of which may surprise you.

For example, community investors are actively helping to rebuild war-torn areas. "The broad scope of international community investing means investors and lenders can target countries emerging from conflict and war, developing

CHARITABLE GIVING	COMMUNITY INVESTING
When you make a $20 donation:	When you invest $1,000 in a community investment at 2%:
You give $20.	Your interest earnings may be reduced by $20, compared to a 5%-interest-Treasury bill investment.
And only $20 goes to help people and communities.	But the entire $1,000 goes to work helping people help themselves.

BEYOND POVERTY: WHAT MICROLENDING CAN DO

The high value of the US dollar in developing countries means that your community investing dollars can often have a higher impact than investing in the United States. For example, a $3,000 investment would be enough to start a small business in Africa employing eight people, while the same investment in the United States would finance less than a quarter of the same business, employing only one person, according to data from the Calvert Foundation.

Here's what else your investments can do around the world:

- $1,000.00 invested for a one-year term could finance one microenterprise in Africa, Asia, and Latin America.
- $3,000.00 invested for a three-year term could build or improve a home in Africa, Asia, and Latin America.
- $5,000.00 invested for a five-year term could finance one small business (and part of a second) and create more than 13 jobs in Africa, Asia, and Latin America. It could also finance nearly 27 microenterprises and build almost four homes in these regions.

For more examples and to enter different investment amounts, you can visit Co-op America's community investing Web site at www.coopamerica.org/go/communityinvest and click on the "Community Investment Impact Calculator." In addition to providing you with up-to-date information about community investing across the US and around the world, the site also allows you to search for microlending and other community investing institutions that match your investing needs.

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neighborhood infrastructure among communities that have been scarred by violence, both internal and international," says Teplitz.

The Foundation for International Community Assistance (FINCA) established two "village banks" in Herat, Afghanistan, at the end of 2002, expanding in 2004 to a total of seven. Under FINCA's village banking model, groups of 25 to 35 locals jointly guarantee a number of small loans, a model that FINCA says "takes the fear out of" the loan process for the borrower, while providing the lender greater assurance it will be paid back. So far, borrowers have used the loans to open everything from food stalls to sewing shops, and over the next five years, FINCA expects to assist more than 30,000 Afghan clients. Other recent loan recipients from FINCA and other institutions have included residents of Kosovo, Haiti, and Uzbekistan, following conflicts in those countries.

In addition, microcredit lenders have found ways to use their networks to catalyze change on issues from the AIDS epidemic in Africa (see p. 17) to helping the developing world embrace renewable energy technology (see p. 12). Microlending is also on the ground in Indonesia and India, helping to rebuild after the devastating tsunami last December. In short, when you place one percent of your investments into vehicles like those described in this guide, the return is far greater than the interest (see the box on p. 25 for more on the "1% in Communities" campaign).

To help people like Teodora, Annamma, and Nicodemus around the world, and to help you decide what kind of community investing vehicle is right for you, Co-op America has produced this guide. It's filled with stories about how international community investments have made a difference in areas around the world (p. 8), instructions for how to get started (pp. 6-7, 14-17), and a compendium of community investing vehicles to match your investment needs (p. 20).

Turn the page to learn more about how you can start using your investments to make a difference for individuals and communities worldwide today.

—Andrew Korfhage

TRUE TALES

How the Reverend Dorothy May Emerson galvanizes congregations and other groups to invest in international communities.

courtesy of Dorothy May Emerson

Unitarian Universalist minister Dorothy May Emerson has been a driving force in getting congregations across the US involved in community investing.

Unitarian Universalist minister Dorothy May Emerson first got involved with community investing back in the mid 1990s, when she took a tour with the Boston Community Loan Fund to see firsthand the impacts its investments were having. Seeing the homes that low-income community members had been able to buy and fix up, and the drug and alcohol rehab center built with Loan Fund financing, sparked Emerson's interest in the concept of community investing. She continued to learn more and soon started dedicating part of her ministry work to encouraging others to invest in communities.

"I work on empowering people to put their faith into action, especially by engaging in work that moves the world towards justice," Emerson explains. Emerson is a Unitarian Universalist community minister, which means she works with the larger world as well as with individual congregations. One of the things she does is to conduct workshops and worship services across the US on economic justice, "because economic justice is an essential aspect of social justice." As she learned more about community investing, she began teaching about it in these sessions.

Emerson became particularly interested in how community investing works on an international level when she arranged to write an article on ending poverty through community investing for *UU World*, the Unitarian Universalist Association magazine. The single article she had planned eventually became two, with the first piece devoted to international microcredit. "[To end economic injustice], we need systemic, structural changes," she says. "Institutions like village banks change the economic system in their communities, making it possible for people to move themselves out of poverty."

Emerson's growing enthusiasm for international community investing has proved contagious. Her article "The Microcredit Revolution"—which provides an introduction to microcredit lending and its impacts, plus steps for getting involved—was published in the March/April 2005 issue of *UU World*, and the response has been impressive. One of the options that Emerson described was the possibility of sponsoring new village banks through the Foundation for International Community Assistance (FINCA) with a donation of as little as $5,000, and FINCA's staff has received lots of calls as a result. Emerson herself has also received calls from readers inspired to engage in international community investing, and she's gotten enthusiastic responses from audiences to whom she's presented the concept.

Unitarian Universalists aren't the only ones getting fired up by Emerson's message. Last spring, at her 40th college reunion, one of Emerson's former classmates brought up her daughter's work as a Peace Corps volunteer in Pueblo Nuevo, Nicaragua. Emerson mentioned that the class could probably work through FINCA and sponsor a village bank there, providing local community members with opportunities to receive microcredit loans . The reunion attendees decided that they'd sponsor a village bank in Pueblo Nuevo—and that they'd raise the money to do it right then and there.

"I suggested it as a project for our 50th reunion, but they didn't want to wait that long," says Emerson. "By the end of the weekend, I had $5,000 pledged." Now, the Pomona College class of 1965 has joined the list of groups that Dorothy May Emerson has inspired to use their money to spread sustainable economic development around the globe.

—Liz Borkowski

Investing for
the World

If you're unsure how to get started with international community investing, our frequently asked questions section makes those first steps easy.

What You Need to Know

Rebuilding war-torn countries. Giving women in deep poverty the means to start their own businesses and feed their families. Providing health care and prevention education in areas stricken by AIDS. These are just some of the ways that community investing institutions (CIIs) are making an impact around the world.

Their work wouldn't be possible without investors like you. Below are answers to the most commonly asked questions about community investing. We hope they'll encourage you to read the rest of this guide and discover how you can maximize your investments' social impact.

What is community investing?

Community investing directs investor money into areas underserved by traditional financial services. In the US and around the world, community investing makes it possible for local organizations to provide financial services to low-income individuals, and to supply capital for small businesses and vital community services, such as child care, affordable housing, and health care. Imagine not being able to obtain a loan for college, to start a business, or to buy a house, and you'll get an idea of what disadvantaged people in the US and around the world would face without CIIs.

In addition, CIIs provide important services, such as education, mentoring, and technical support, to guarantee the success of their loans—and of the communities they serve.

Is microlending a form of community investing?

Yes. Microlending—providing tiny loans that can be as little as $16 to people to form microenterprises or bolster their existing businesses—is a particularly powerful form of community investing at work worldwide.

In developing nations in particular, self-employed people comprise more than 50 percent of the labor force. Microenterprise loans are most often the vehicle for community investing abroad because they provide this large self-employed population with the skills, credit, and capital to turn their struggling businesses into successful microenterprises.

Why invest internationally?

Studies have shown that four billion people around the world live on less than $1,400 a year, and only a fraction of these have access to basic financial services, according to the United Nations. Many are facing crises such as wars, famines, or a lack of access to electricity and clean water. Community investing is a powerful way to provide those in deep poverty with a way to lift themselves up using their unique skills and talents.


FINCA

In Uganda, many of FINCA's village banking groups create their own uniforms and wear them to meetings and celebrations as a statement of solidarity.

Specifically, international CIIs help individuals and communities rebuild as they emerge from years of conflict and war. For example, the Foundation for International Community Assistance▪ (FINCA) has provided some of the first long-term and sustainable economic development aid to Kosovo, Haiti, Uzbekistan, and Afghanistan, all nations in need of capital to rebuild in the wake of political unrest.

CIIs help lift up entire populations around the world who have been disenfranchised. For example, Shared Interest▪, a US-based fund that works in South Africa, aims to redress the economic legacy of Apartheid by guaranteeing loans for small businesses and community development projects to black South Africans, primarily women.

They're bringing much-needed services to entire communities in developing countries, such as E+Co's▪ efforts to bring clean energy to communities in Latin America, Africa, and Asia without access to electricity.

And they're helping talented people set up microbusinesses to make a sustainable living, rather than living in poverty.

International community investments are generally higher impact than domestic community investments due to the higher value of the US dollar in other countries. A loan of $1,000 for a two-year period in Africa can can launch three microenterprises and create nearly four jobs.

For more stories of community investing's international impact, see pp. 8-13.

Can I invest in communities in the US?

Yes, there are many ways to be a community investor across the US, ranging from opening a checking or savings account in a

▪ designates Co-op America Business Network Member community development bank to investing in venture capital. For more information, see p. 18, call us at 800/58-GREEN and ask for our free guide to US community investing, or visit our Web site, www.coopamerica.org/go/communityinvest.

What kinds of community investments are there?

Investors who want to have an impact here in the US and around the world may choose to invest in one of the following:

- **COMMUNITY BANKS AND CREDIT UNIONS:** For a domestic impact, you can open a savings or checking account—as well as a money market account or certificate of deposit—in a US community development bank or credit union. Interest rates are competitive with conventional banks, and your money is federally insured. The difference is that your money will go to work lifting up low-income areas across the US.
- **COMMUNITY DEVELOPMENT LOAN FUNDS (CDLF):** These funds provide or guarantee low-cost financing for housing, high-impact economic development projects, and small businesses across the US and around the world. Most also provide technical assistance and training to their borrowers.
- **MICROENTERPRISE LOAN FUNDS:** An offshoot of CDLFs, these funds provide or guarantee small loans to people across the US and around the world so they can start up microenterprises—or small businesses with fewer than five employees requiring a loan or equity investment of $25,000 or less.
- **COMMUNITY DEVELOPMENT POOLED FUNDS:** These funds spread investor monies around among many different CIIs, domestic and international. This option offers several benefits to the investor, such as creating a more diversified—and therefore less risky—investment.
- **COMMUNITY DEVELOPMENT VENTURE CAPITAL FUNDS:** These funds make equity investments in larger businesses with potential for rapid growth to create jobs and wealth that benefit low-income people and distressed communities.
- **MUTUAL FUNDS THAT INVEST IN COMMUNITIES:** Some socially responsible mutual funds devote up to ten percent of their assets to US-based community investing, and two even put 100 percent of their assets into underserved communities.
- **DONATIONS:** Many US and international CIIs also offer the option of simply donating to their loan or pooled funds. Such donations are tax-deductible in most cases.

For more specifics on these vehicles and how to invest in them, see "Tools You Can Use," p. 14; "Community Investing at Home," p. 18; and "Resources," p. 20.

What does it mean to "guarantee" a loan?

Rather than lending directly to people in need, some CIIs use their capital to guarantee loans from local banks that may otherwise consider lending to the poor a bad credit risk. For example, says Shared Interest, which guarantees loans to low-income communities in South Africa, "a bank in South Africa might not be willing to lend money to people who are HIV-positive, people who have never had a job, or people who live in rural areas who struggle to build their communities, because they pose a big risk from the bank's perspective. However, the bank will lend money to these people if someone guarantees that the money will be paid back."

That's where CIIs step in, putting up their money as collateral to guarantee that local banks will not lose their loans.

Do I need large amounts of money to invest?

You do not need large sums of money to invest in international (or domestic) communities. Many international CIIs have minimum investment amounts as low as $1,000.

What impact will community investing have on my investment returns?

Co-op America and the Social Investment Forum Foundation recommend that you invest one percent (or more) of your portfolios in community investments. One percent has a minimal effect on your returns, while making a big difference for disadvantaged communities around the world.

Most community development loan, microenterprise, and pooled funds offer interest rates in the zero-to-four percent range, averaging about two percent. The interest on venture capital funds varies. In a roaring stock market, that means your financial returns may be more modest than those of other investment vehicles. But in a faltering stock market, the financial returns on these funds may be comparably better. Either way, the social returns are greater with any community investment.

How risky are these investments?

Savings and checking accounts at US community development banks and credit unions are federally insured up to $100,000. Community development loan, microenterprise, pooled, and venture capital funds—as well as mutual funds with a community investment component—are not insured, and therefore carry some risk. International investments have special risk considerations largely due to foreign exchange rates and the stability of the country's economy and government.

Many CIIs that lend directly overseas integrate foreign exchange risk management measures into their lending strategies, diversify their loans across different organizations, and closely supervise their borrowers to minimize risk. The vast majority have never defaulted on investor principal.

As with all investments, you or your financial adviser should investigate them thoroughly before investing.

Why isn't giving to charity enough?

Community investments can have a much higher impact than simply giving a sum of money to a charity, because the entire amount you invest goes to work lifting up communities in need. Take a look at the chart on p. 4 to see how charitable giving compares to community investing. As you can see, a potential $20 reduction in returns on a community investment has a much greater impact than a $20 charitable gift.

Plus, community investing provides the means for low-income people to use their own skills and talents to lift themselves up economically. As the saying goes, it's not a hand out, but a very effective hand up for people who have been disenfranchised by our local and international economic system.

Continue to be generous in giving to charity, and then also devote one percent or more of your investments to communities. Read on for more on how you can start today. CAQ

Success stories from around the world show the power of community investing. It's easy to get involved—make a pact to start today.

Investing for Maximum Impact

From helping women start up small businesses to bringing clean energy to off-the-grid areas in developing countries, community investments are using relatively small amounts of money to make big things happen. Get inspired by the creative, bright people who are lifting themselves out of poverty with the help of community investors—and then consider putting one percent or more of your portfolio into community investments today.

Empowering Women

Community investments help lift up women around the world who are stricken by deep poverty.

Seventy percent of the world's poor are women, according to the National Peace Corps Association. This staggering figure results from the fact that women in many countries are often more likely than men to be categorically denied access to an education and resources like land and credit. International community investing works to change that, through efforts aimed at empowering women through targeted microfinance. Grameen Foundation USA ▣ is one such organization that provides loans and other financial services to poverty-stricken women around the world, helping them start microenterprises, buy homes, and care for their children. One of their newest programs targets women in the Arab world.

Grameen Foundation USA

Ahlam Mohammed Abdel Baki opened a successful dairy enterprise with the help of a microloan.

Ahlam Mohammed Abdel Baki dreamed of lifting her family out of poverty, but lacked the resources to do so. She and her husband, farmers in Abgig, Egypt, were struggling to cover their basic needs, expenses that included the care and education of their eight children. Unable to read, Ahlam was nevertheless determined to do something to improve their increasingly desperate financial situation.

Hoping to find a source of income that would allow her to work from her home so she could care for her children, Ahlam looked to cattle raising, the primary source of income for most families in Abgig. She had long considered purchasing a milk separator—a device that facilitates the production of butter, cheese, and other dairy items—and starting a home-based dairy enterprise separating milk for her cow-owning neighbors. However, the cost of the machine was far too high for Ahlam to afford, and it seemed that her wish would remain an impossibility. That is, until she was approached by a loan officer connected with a community development institution. On a promotional visit to Abgig, the officer told Ahlam that she was a prime candidate for a microloan from Community Association for Family Development (CAFD), a microfinance

▣ designates Co-op America Business Network Member institution partnering with the Grameen Foundation USA.

With the prospect of actualizing her dream suddenly before her, Ahlam applied for a small loan. Though most conventional banks would have considered her too high risk, CAFD agreed to loan her LE 500 (the equivalent of approximately $873) to purchase the milk separator and other equipment necessary to open her dairy enterprise. Not long afterwards, Ahlam began earning a profit, significantly improving the ability of herself and her husband to provide for their family. Even better, her experience with CAFD has had a positive impact on other members of her community, as well. As word of Ahlam's enterprise spread throughout the village, other local women began gathering in Ahlam's home to use the machine and produce their own marketable dairy goods.

"Not only did I increase my family's income," she explains, "but I was able to help my neighbors benefit more from the milk they produce and have consequently helped strengthen my community."

Thanks to the Grameen Foundation's partnership with the Saudi Arabian company Abdul Latif Jameel, a recently launched initiative working to make microfinancing widespread and accessible in the Arab world, there are now thousands of success stories like Ahlam's. Supported by funding from the A.L. Jameel company and Grameen's community investors, Grameen is developing partnerships with poverty-focused, qualified microcredit programs in the Arab world. Grameen offers its partnering institutions loans for on-lending based on the quality of the institution, its demonstrated ability to reach the poorest populations, and the capacity of the organization to absorb financial resources and expand. Saudi Arabia, Egypt, and Morocco have all established microfinance institutions working to help the estimated six million Arabs living in poverty, and Grameen hopes to expand its work to Tunisia, Jordan, Lebanon, Syria, and Algeria.

The initiative is having particular impact on women, as they comprise a majority of region's poor and are therefore most likely to benefit from this program. Together, the Grameen Foundation's two Egyptian partners serve approximately 16,000 clients, all of whom are women. While loans for in-home craft enterprises are most popular, clients use their loans for a variety of purposes, including agriculture, shopkeeping, and animal husbandry.

Heather Henyon, the Grameen Foundation program officer overseeing this project, explains that "Grameen targets the poorest of the poor, which in the Middle East and North Africa means that our focus is on women."

In an essay for Santa Clara University's Markkula Center for Applied Ethics, Grameen founder Muhammad Yunus describes the effect he's seen Grameen loans have on recipients: "By the time the loans are paid off, the women are completely different people. ... Others may have told them they were no good, but on the day the loan is paid off, the women feel as though they can take care of themselves and their families."

Opportunities for Involvement: Grameen Foundation USA accepts donations in any amount. Several other organizations provide opportunities for investors who want their investments to be used to make small loans to entrepreneurs, many of whom are women, in the Middle East and Northern Africa; check the Resources on p. 26 for contact information. *—Michele Levy*

Fostering Fair Trade

Community investors help Fair Trade cooperatives start up and flourish.

Calvert Foundation

Investors can support Fair Trade coffee farmers through investments made to community investing institutions like the Rudolf Steiner Foundation.

Fair Trade sales in Europe and the US are growing as consumers opt to purchase coffee, tea, chocolate, and other commodities whose Fair Trade certification guarantees that the farmers producing them received fair prices for their crops. Consumer demand isn't the only ingredient needed to increase Fair Trade sales, though; financing for farmer cooperatives is also essential.

Under the Fair Trade system, an importer must provide up to sixty percent of the financing that farmers need to ship their coffee to importers. But that still requires the cooperative itself to come up with several thousand dollars.

Even for farmers in the Fair Trade system, a small loan to cover such up-front costs is difficult to obtain. "Cooperatives don't have the assets or financial track records that conventional lenders look for," explains Namrita Kapur, director of operations for the nonprofit EcoLogic Finance

(EF). "They'll often be unable to get credit, or they'll be charged exorbitant fees for it."

EF is one of the groups that have stepped in to fill this gap. It offers affordable financial services to community-based businesses operating in environmentally sensitive areas of Latin America and select countries in Africa and Asia. Most of its borrowers are Fair Trade cooperatives.

"Fair Trade organizations are promoting economic development, and they're also doing positive things for the environment," Kapur explains. The Fair Trade system encourages farmers to use sustainable production methods, and most Fair Trade commodities are also certified organic.

EF seeks to finance businesses that increase meaningful employment and household income to disadvantaged groups such as peasant farmers, women, and indigenous people—so, again, Fair Trade is a natural fit. Many of EF's borrowers have been able to increase production dramatically with the help of affordable financing, and the increased revenue is helping communities as well as individual families.

For Fair Trade farmers, a small loan to cover up-front costs is difficult to obtain without community investments.

In the Andean highlands of southern Peru, for instance, the Fair Trade cooperative COCLA (Central de Cooperativas Agrarias de Cuzco) has expanded its membership by 60 percent and has increased coffee production by 30 percent since it began receiving EF support four years ago. COCLA now uses Fair Trade coffee revenue to offer training workshops to members and microcredit loans to women artisans in its community. In the province of Jinotega in northern Nicaragua, the Fair Trade coffee cooperative SOPPEXCCA (Sociedad de Pequenos Productores Exportadoras y Compradores de Café) is helping women farmers gain titles to land and to produce, manage, and market their own coffee. It has also launched a primary education campaign and school-construction effort that boosted the student retention rate in their area.

Loans to Fair Trade cooperatives have also proven to be a good bet from a business standpoint: "We've seen a 100 percent repayment rate from coffee cooperatives," Kapur reports, "which shows that these organizations are stable."

The money EF uses to provide financing to cooperatives comes to the organization through loans and grants from individuals and institutions. One of its financers is the Rudolf Steiner Foundation■ (RSF), a nonprofit financial service organization whose mission is "to change the way the world works with money." EF received a loan from RSF's Fair Economies Program, which has the goal of financing "sustainable business models in industries that are environmentally friendly and help conserve natural resources while providing fair working wages, humane working conditions, self-determination, and economic support to developed and indigenous communities anywhere in the world."

As more Fair Trade financing become available, it's important to continue increasing consumer demand for Fair Trade products, so that the Fair Trade system can expand to include more farmers and artisans around the world. RSF is also working on this side of the equation and has established a Fair Trade Fund that's partnering with TransFair USA■, the nonprofit organization that certifies Fair Trade commodities sold in the US, to increase consumer awareness of Fair Trade nationwide.

Opportunities for Involvement: Investors can support both the financing and consumer-education side of Fair Trade (see the resources on p. 20 for contact info):

- **EcoLogic Finance:** EF is only open to "accredited investors" (who must be designated as meeting specific criteria set by the US Securities and Exchange Commission), but the organization accepts donations in any amount. Some socially responsible money managers—Kapur mentions Trillium Asset Management■ and Loring, Wolcott & Coolidge■—will pool money from several investors to make a single EF investment.
- **Oikocredit■:** Approximately half of Oikocredit's borrowers are cooperatives, and more than 30 of those are Fair Trade, so an investment in Oikocredit (minimum $1,000) will support Fair Trade cooperatives as well as other agricultural cooperatives and microcredit banks. The organization is always on the lookout for more Fair Trade borrowers, so if you know of a Fair Trade cooperative that might qualify for an Oikocredit loan, encourage its members to get in touch with the appropriate regional Oikocredit office.
- **Rudolf Steiner Foundation:** While RSF doesn't have a specific investment vehicle for Fair Trade, their general Community Investment Fund (minimum investment $1,000) includes some Fair Trade projects. Individuals wishing to donate to RSF's work have two additional options: RSF's Fair Economies Program is a revolving loan fund supported by donors, which means that each donation can potentially help dozens of borrowers over several years. And the Fair Trade Fund is educating consumers to help create a market for Fair Trade businesses.
- **SERRV Community Investment Loan Fund:** This loan fund provides advance payments to the producer partners making the Fair Trade crafts sold by SERRV International/A Greater Gift■. It's currently available to investors in eleven states (minimum investment $1,000), and will become available in additional states over the coming months.
- **Co-op America's Fair Trade Alliance:** Your workplace, school, community group, or house of worship can help increase the demand for Fair Trade products by joining our coalition (call 800/58-GREEN or e-mail fairtrade@coopamerica.org). Members pledge to serve Fair Trade items at their own events and promote Fair Trade in their communities, and the alliance provides resources and ideas to assist with these efforts.

—*Liz Borkowski*

■ designates Co-op America Business Network Member

Toward an End to AIDS

Community investment institutions are providing vital HIV/AIDS education in countries that need it most, helping to stem the spread of this deadly disease.

One of the least developed nations in the world, the southern African nation of Malawi faces a host of challenges.

Even as the country has weathered several years of severe drought, 90 percent of its citizens live in rural areas and depend on agriculture for their livelihood. Runaway inflation (about 30 percent annually) has complicated many citizens' ability to make a living, and—as is the case elsewhere in sub-Saharan Africa—the scourge of AIDS has devastated many.

In 2003, an estimated 500,000 Malawi children had been orphaned by AIDS, and 900,000 people were living with the disease, in a country with a population of just around 12 million.

With disease, poverty, hunger, and inflation taking a toll on the country's population, the village banking system run by the Foundation for International Community Assistance (FINCA) has provided much-needed capital to very low-income Malawians and has provided a community structure for social progress as well. In the highly participatory village banking system, groups of micro-entrepreneurs mutually guarantee each other's loans, meeting once a week to manage and collect their loan repayments, and to provide one another with moral support, new business ideas, and advice.

With that structure in already in place, and with the reality of AIDS facing so many of their clients, representatives from FINCA began in 2003 to explore ways to adapt the village banking model for even greater social change.

"A lot of our clients have HIV/AIDS or care for HIV orphans," says Christina Hannum, foundations relations manager at FINCA. "We'd been looking for ways to involve HIV/AIDS work in our programs for a long time, and since we had already used the weekly meetings for delivering other services, somebody came up with the idea for delivering AIDS education."

With funding secured in April of this year through a partnership with Johns Hopkins University and the Gates Foundation, FINCA is gearing up to launch its first-ever series of AIDS education seminars this fall. That's when two representatives from each village bank (about 400 clients in all) will gather in Lilongwe, the country's capital, for training as peer educators. Otherwise geographically isolated from one another, the participants, who have grown used to working cooperatively with each other and with FINCA through their village banking experiences, can then return to their villages and share their knowledge with the rest of their group and with others.

"The program is meant to encourage behavior change, and to counter ignorance about how you can protect yourself and what kind of services are available for you if you do have AIDS," says Hannum.

Johns Hopkins prepared the HIV/AIDS resource guide for use in the program, which will be led by professional trainers already in Malawi. Conceived as a year-long program, there will be refresher course offered halfway through, and Johns Hopkins will follow up with a study at the end to determine how well the AIDS-related knowledge was communicated, and whether risky behaviors were changed. Depending on the program's success, Hannum says FINCA hopes to replicate the AIDS education model in other countries elsewhere in Africa.

Opportunities for Involvement: The minimum investment to help start a FINCA village bank is $10,000 for a minimum of one year (the minimum *donation* to start one is $5,000). Interest rates range from zero to three percent, depending on the duration and amount of the investment. Investors are encouraged to consider the social impact of their investment when negotiating interest rates. To learn more about investing in a village bank, contact Jennifer Tierney at FINCA at 212/706-1786, jtierney@villagebanking.org.

—Andrew Korfhage

FINCA

Through its village banking system, FINCA provides much-needed capital to Malawians, whose country has been devastated by AIDS.

Clean Energy for All

For people in developing countries, locally based, clean energy can create jobs and even electrify entire villages formerly without power.

The Sanguan Wong Industries cassava processing plant in Korat, Thailand, uses more than 35 million kWh of electricity per year to produce more than 500 tons of cassava starch per day—and it generates 8,000 cubic meters of wastewater daily in the process. Local company Clean Thai looked at these numbers and saw an opportunity for turning waste into energy.

Clean Thai already had expertise in producing biogas from agricultural and process waste streams, but they knew they would need start-up capital to design a system for the cassava plant and convince the plant's owners to purchase it. Since their biogas technology was new in Thailand and they were a relatively new company, Clean Thai was unable to secure a loan from a conventional lender.

That's where E+Co stepped in. E+Co, which was founded by the Rockefeller Foundation in 1994, invests in clean-energy businesses to create sustainable solutions to economic and environmental problems. E+Co focuses on early-stage investment for entrepreneurs using innovative clean-energy

E+Co

Participants in the Honduran La Esperanza project work to reforest the river basin that is the basis for their dam-free hydroelectric project—financed, in part, by E+Co.

approaches, because these businesses will find it hardest to get funding elsewhere.

"It's easier to borrow $1 million to expand an existing company than it is to borrow $100,000 to launch a new one," says Christine Eibs Singer, deputy executive director of E+Co. "We invest in entrepreneurs as champions of their clean-energy plans."

Clean Thai obtained approximately $200,000 in start-up funding from the clean-energy investment company E+Co, and with that was able to secure more than $3 million in additional financing. Relatively small loans in early stages can help entrepreneurs create business plans and proposals or conduct marketing studies, says Singer—all of which will help attract larger investments for later stages. E+Co loan officers, who operate out of several offices worldwide, work closely with entrepreneurs to help them secure those additional investments.

Clean Thai used their funding to design and build a system that uses anaerobic digestion technologies to turn the cassava plant's nutrient-rich wastewater into biogas that powers the factory. Today, the system boasts an annual savings of eight million liters of fuel oil, 30,000 MWh of electricity (which the factory generates itself rather than buying from the grid), and 250,000 tons of CO_2 emissions, and Clean Thai has ten other biogas projects in the pipeline—all thanks to that initial loan from E+Co.

To date, E+Co has supported more than 120 clean-energy enterprises in 35 countries around the world. In Nicaragua, for instance, E+Co has helped the company TecnoSol bring clean, affordable energy to rural families. The more than 3,000 solar PV systems that TecnoSol has installed there are improving quality of life by delivering the basics of lighting and clean water, and they're also helping to stimulate the growth of small businesses. TecnoSol has used E+Co loans to expand its inventory, provide credit to its customers, and open four new branches across rural Nicaragua to improve service to those who need it. Other E+Co-funded projects include La Esperanza, whose run-of-river (i.e., dam-free) hydroelectric project in Honduras is generating 12.9 MW of electricity and displacing 35,000 tons of greenhouse gases annually, and Energy Plus Limited, which will soon be distributing energy-efficient lighting products to large institutions and electrical retail outlets in Uganda.

Singer compares E+Co's investing to that of venture capital investors, who also fund businesses at early stages of development. These investors, she explains, expect that several of their borrowers will default, but that these failures will be balanced out by successes that profit exorbitantly.

"Venture capital investors usually write off 35 to 40 percent of their loans, and they can afford to do that because enough of the successes are very profitable," she says.

By contrast, only 11 percent of E+Co borrowers have defaulted, which is a "terrific number" for this kind of investing, says Singer. She credits the personal relationships between E+Co loan officers and borrowers with keeping repayment rates high. E+Co's smaller loss pool means the winners only need to be modestly successful (not wildly profitable) to keep the fund solvent and able to continue loaning money. To date, the fund has never experienced an interruption in its ability to loan money, and it has repaid all investors on time, at the agreed-upon interest rates.

Until 2003, E+Co's funds came from grants, contracts, and loans from US foundations and international development banks. The company began accepting investments from socially responsible investors who were attracted to E+Co's "triple bottom line" mission-driven impact and for whom modest financial returns (generally three to five percent) for a part of their portfolio worked well.

"We've always been good at financial reporting, but we've recently increased our social and environmental reporting," Singer says. "Our investors want to know how many homes have been electrified, how many trees have been saved from being turned into firewood, and how many tons of CO_2 emissions have been prevented." So far, she reports, "the investors who've agreed to lend us funds seem very happy."

Web Exclusive!: For a story on how community investors helped thousands recover from last year's devastating tsunami, visit our Web site at www.coopamerica.org/go/communityinvest.

Opportunities for Involvement: Individuals can donate money (a minimum of $25) to support E+Co's enterprise development services; 100 percent of all donations are used to provide assistance to clean-energy entrepreneurs in developing countries. Investors with $25,000–$250,000 to invest can loan their money to E+Co, which will invest 100 percent of the loan proceeds directly in entrepreneurs. The company also offers custom-managed accounts for investors of $1 million or more.

—Liz Borkowski

TRUE TALES

How Peace Corps volunteers are continuing their service through community investing.

In 2003, Karen Keefer, a former Peace Corps volunteer who served in Nigeria, was interested in continuing her service to the people who had made such an impression on her. She decided that she wanted to develop a microcredit fund to help people in Nigeria and elsewhere lift themselves up economically.

"Peace Corps service in Nigeria opened my eyes to the needs in the world," says Keefer. "The microcredit model was an ideal way to continue my work, because it's in keeping with the Peace Corps doctrine of providing individuals with the tools to fish, rather than giving them the fish."

A member of the National Peace Corps Association (NPCA), an alumni organization for former Peace Corps volunteers, Keefer knew that the NPCA not only encouraged but was was continuously looking for new ways to enable its members to continue their contributions to developing communities overseas. She believed that microfinance would be a successful project for the NPCA, and that NPCA's involvement would help educate more Americans about how they can use community investments to "break the cycle of poverty around the world."

Immediately responsive to Keefer's idea, the NPCA began seeking out aid organizations doing outstanding microlending work in countries with active Peace Corps volunteers. Ultimately, it selected FINCA to receive the bulk of its investments. FINCA provides microloans to low-income families in 21 countries to help alleviate poverty. NPCA also chose to direct funding to Bread for the Hungry and Catholic Relief Services for their microcredit programs, which have missions similar to FINCA's.

"We [embraced] microfinance because ... the money goes much farther," explains Kevin Quigley, NPCA president. "It's money that keeps giving, simply put."

With a concrete plan underway, the NPCA proposed its idea to the Calvert Foundation, and the two organizations developed a partnership to implement the NPCA's Microenterprise Program. Calvert Foundation created a custom Community Investment Note program for NPCA, which directs funds raised by NPCA to the three organizations. (To learn more about Calvert Community Investment Notes, see the "community development pooled investments" section of "Tools You Can Use" on p. 20.)

"We encourage our members and others to invest in these Community Investment Notes through our program to do something good for others and something good for themselves," says Kevin Quigley, NPCA president. "They earn a decent interest rate and have a positive impact. It's a win-win for everyone involved."

At this time, 80 people are invested in the NPCA/Calvert Foundation program, which is open to any interested investor, not just those with a connection to the Peace Corps. The program has generated approximately $440,000 and has positively effected people in over 30 countries, primarily in Africa and Latin America. A minimum investment of $1,000 is required, and investors have the opportunity to choose an interest rate between zero and three percent. While the majority of NPCA investors select a two-percent interest rate, five percent opt to earn no interest, a decision that reflects a commitment to the Peace Corps' mission of developing communities to change the world.

Encouraged by the success this program has achieved in only two years, the NPCA is looking to expand its community investment both financially and geographically, and has a dedicated volunteer committee working on to increase funds raised and to achieve more global coverage.

"I am thrilled at the opportunity to invest in a program that makes a positive and sustainable difference in the lives of poor people in developing countries," says Helene Ballmann Dudley, a Peace Corps alumnus who served in Colombia and in Albania/Slovakia. "Most of us joined the Peace Corps in the first place because we wanted to make a difference. Thanks to the NPCA's Microenterprise Program, my investment continues that work for me by empowering the poor to improve the lot of their families."

—Michele Levy and Tracy Fernandez Rysavy

For more information about NPCA's Microenterprise Program, contact 202/293-7728, www.ectopico.com/mepcms/?q=node.

Tools You Can Use

FINCA

Community investing provides financial services such as loans for people from the Lake Region of Tanzania, many of whom earn their living selling fish.

Nearly everyone with savings and investments can put one percent or more into community investments. That one percent has a minimal impact, if any, on your investment returns, but it can have an enormous impact on the lives of low-income people around the world. Remember, community investing institutions can help a talented person lift himself or herself out of deep poverty with a loan as small as $16. Even a loan that small wouldn't be possible without community investors. We call on all of our members to make a commitment to start today.

You can also encourage your community or religious group to put some of its investments into international community investing vehicles, or raise funds so your group can sponsor microenterprise lending in a developing country.

Here's more information on the vehicles available and ways you can get involved.

COMMUNITY DEVELOPMENT AND MICROENTERPRISE LOAN FUNDS

Community development loan funds (CDLFs) work in countries around the world to provide low-cost financing to individuals, cooperatives, and nonprofit organizations in need.

Loans to nonprofit organizations help build schools, health care centers, affordable housing, and other community services. In some cases, particularly when borrowers need larger loans, a CDLF may serve as a guarantor for loans provided by other institutions. Many CDLFs also provide training to help borrowers acquire financial and business skills.

A subset of CDLFs are microenterprise loan funds, which exclusively support development of small-scale, local businesses. In developing countries where self-employed people can make up half of the labor force, microenterprise lenders can help small businesses thrive—which in turn builds strong local economies. A loan of as little as $100 can help a store owner purchase inventory, allow a dressmaker to buy a sewing machine to increase her productivity, and help small farmers buy seeds, animals, or equipment to expand their businesses.

Several CDLFs focus on a specific country; for instance, the Nicaraguan Credit Alternatives (NICA) Fund and SosteNica work in Nicaragua, and Shared Interest serves South Africa. Others, such as ACCION International and Oikocredit USA, work with partner institutions in several different countries.

WHO CAN INVEST?: Individuals of all income levels can invest in CDLFs, including microenterprise loan funds, as can nonprofits, faith-based organizations, foundations, corporations, and investment institutions. Ask for a prospectus or information packet before you invest in a given CDLF to check whether you meet their requirements and to ensure that the fund meshes with your social and financial goals.

HOW MUCH MONEY DO I NEED?: Most CDLFs have minimum investment amounts, generally $1,000 or more.

designates Co-op America Business Network Member

WHAT KIND OF RETURNS CAN I EXPECT?: CDLF investments are most appropriate for money you can afford to have tied up for at least one to three years. Interest rates are generally market or below-market, falling between zero and four percent, depending on the investment's size and term. In some cases, investors can choose between different rates, knowing that accepting a lower one allows their investments to do the most good.

Investors generally receive interest payments quarterly or annually, depending on the specifics of the loan fund. Once the period during which you agreed to invest your money is up, the CDLF will repay your principal. You'll also have the option of renewing (also sometimes referred to as "recycling") your loan or donating it to the CDLF.

ARE THE INVESTMENTS TAX-DEDUCTIBLE?: Investments in a CDLF are not tax-deductible, as you are earning interest. If you choose to donate your principal and/or interest, that donation may be tax-deductible.

WHAT ARE THE RISKS?: CDLFs are not insured, so your risk of losing your principal is greater than putting your money into an insured bank account. However, CDLFs use grant money and loss reserves to help protect individual investors. Of the 442 community development financial institutions surveyed through the CDFI Data Project, none have reported that they have ever lost any investor principal.

DO I NEED A FINANCIAL PLANNER TO INVEST?: You do not need a financial planner to invest in a CDLF, though you may choose to consult one. If you decide to donate your investment, you may want to check with a tax planner to help you figure out whether any of your donation is tax deductible.

See the resources section on p. 20 for a list of CDLFs.

COMMUNITY DEVELOPMENT POOLED FUNDS

Community development pooled funds act as umbrella funds, where you invest in one fund, and your money is spread around to several community investing institutions. By putting money into a single pooled fund, you can increase the diversification of your investments, which lessens the risk and supports several community investing institutions at once, across many geographical and issue areas.

Currently, the Calvert Social Investment Foundation is the only institution that offers pooled international investments, called Community Investment Notes. (All other pooled funds offer domestic products—for more information on these funds, call Co-op America at 800/58-GREEN to get a copy of our free guide to *Investing in Communities*, or visit our Web site, www.coopamerica.org/go/communityinvest.)

When you invest in a Community Investment Note, your money supports organizations such as SEED Haiti

FINCA

This Armenian woman used community investing capital to bolster her cheese-selling business.

Community Development Fund, which provides capital for community development projects to Haiti's organized poor, and the AfriCap Fund, which provides microfinance capital to Africans in need.

Most investors in a Calvert Foundation Community Investment Note may choose to direct their investments to international organizations or one of eight US regions. Calvert offers investors with larger amounts of capital ($50,000 or more) the chance to create a Custom Note, where they may more closely align their investments with their values by choosing specific organizations, geographical areas, and social issue areas in which to invest.

WHO CAN INVEST?: Individuals of all income levels can invest in Calvert Community Investment Notes, as can nonprofits, faith-based organizations, foundations, corporations, and investment institutions. Ask for an information packet before you invest to ensure that the notes mesh with your social and financial goals.

HOW MUCH MONEY DO I NEED?: Calvert Community Investment Notes have a minimum investment of $1,000. You need at least $50,000 to invest in a Calvert Custom Note.

WHAT KIND OF RETURNS CAN I EXPECT?: With Calvert Community Investment and Custom Notes, you choose an investment term of one to three years, and an interest rate of between one and three percent. The longer the term and the lower the interest rate, the higher the social return. When your term is up, you may choose to renew your Note.

You may also choose to donate your principal and/or interest, or to donate any amount of money to

MICROCREDIT SUNDAY: SPREAD THE WORD

Oikocredit has named October 23, 2005 "Microcredit Sunday," and urges congregations to plan worship services and educational programs on that day (or one close to it) to spread the word about microcredit and encourage members to become involved. Worship materials are available from Oikocredit at 202/265-0607.

Calvert Foundation's GiftShare program. Donations to this program enter a permanent revolving pool of community investments.

ARE THE INVESTMENTS TAX-DEDUCTIBLE?: Investments in the Calvert Foundation's notes are not tax-deductible. Donations to the GiftShare program are eligible for a tax deduction.

WHAT ARE THE RISKS?: Calvert Community Investment and Custom Notes are not insured, so there is a risk of losing your principal. However, Calvert Foundation backs its notes with a loan reserve and a $5-million debt cushion. Calvert Notes also offer the extra assurance of investment diversification and professional management.

"In the entire ten-year history of the Calvert Foundation, we've never lost a penny of investors' funds," says Mary Balmaceda, the foundation's marketing manager.

DO I NEED A FINANCIAL PLANNER TO INVEST: You do not need a financial planner to invest in Calvert Notes, though you may choose to consult one. If you decide to donate your investment, you may want to check with a tax planner to to help you figure out whether any of your donation is tax-deductible.

See the resources section on p. 20 for Calvert Foundation's contact information.

VENTURE CAPITAL

Investors with high risk tolerance and substantial sums to invest can become community venture capitalists, providing equity investments in new businesses.

Venture capital is vital to the success and growth of small businesses. Venture capital funds with a community investing slant invest in companies with strong management, impressive growth potential, and the prospect of high financial returns. In addition, they also consider the number and quality of jobs that will be created and the businesses' impact on a low-income area.

Along with financing, venture capital funds provide extensive entrepreneurial and managerial assistance to portfolio companies. They may sit on a company's board of directors, help with contracts, assist in designing budgets, and help set up additional financing.

The biggest benefit of venture-capital investing is that it allows a very high social return targeted to specific issue areas. For example, Underdog Ventures allows investors to select targeted industries in which to invest, including organic food, the environment, and socially responsible consumer products. Underdog also allows investors to choose specific geographical areas (i.e., British Columbia) and demographics (i.e., woman-owned businesses or international community development).

Instead of offering standard funds that are open to multiple investors, most venture-capital investing companies design individual investment opportunities for each client. As with pooled funds, international options are rare, since companies often focus on domestic opportunities.

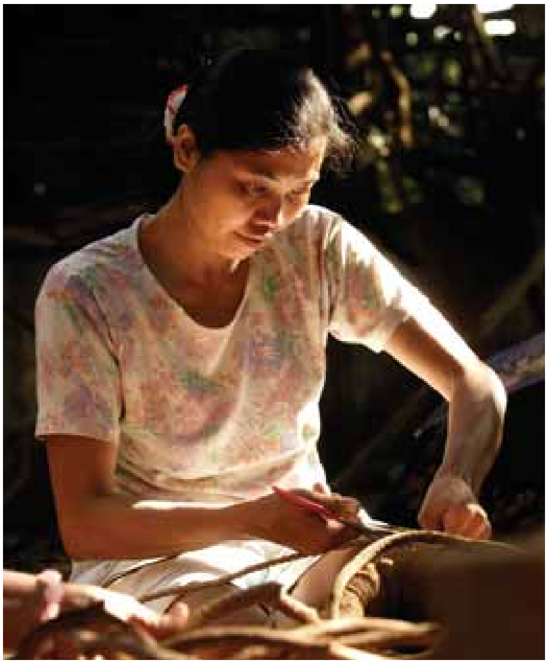
WHO CAN INVEST?: Since you need large amounts of money to invest in venture capital, most investors are high-net-worth individuals, as well as banks and other financial institutions, foundations, corporations, congregations, universities, and government agencies. Venture capitalists may also need to be accredited, which means they must be designated as meeting specific criteria of the US Securities and Exchange Commission.

HOW MUCH MONEY DO I NEED?: Minimum investments for community development venture capital can range from $50,000 to $1 million. Investment commitments tend to be long-term—typically ten years or more.

WHAT KIND OF RETURNS CAN I EXPECT?: The return on a community development venture capital investment varies depending on the success of the companies in which it invests. Returns can range anywhere from one to 12 percent.

WHAT ARE THE RISKS?: Venture capital investments are higher risk than most investments, but the potential for higher returns is greater, as is the social impact. Venture capitalists enjoy financial highs when the companies in which they invest do well, but they also share in the lows when the companies do poorly. They are not insured.

DO I NEED A FINANCIAL PLANNER TO INVEST?:



Ron Londen

Marilyn Obdaniela used her loan from Opportunity International to expand her business to employ 20 families. Marilyn has committed to help pay school fees for all of her employee's children.

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Venture capitalists need to be well-versed in the risks and potential rewards of their investments, so a venture-capital savvy financial planner is highly recommended.

See the resources section on p. 20 for Underdog Ventures' contact information.

DONATIONS

Many of the institutions described above (and elsewhere in this issue) will accept donations as well as investments in order to fund their work. Some community investing institutions have set up sister foundations that use donor funds to make higher-risk loans, guarantee loans, or set up revolving loan funds, all of which will end up passing each donor's money through a series of borrowers in an ongoing cycle. Donations can also help fund institutions' educational efforts, such as programs to increase financial literacy in low-income areas and to teach entrepreneurs how to launch new businesses.

One option for donations is to fund a new village bank in an underserved area of a developing country. Through the Foundation for International Community Assistance (FINCA), groups and individuals can fund new village banks in Latin America, Africa, or the newly independent states of Eastern Europe and Central Asia; several Unitarian Universalist congregations have raised funds in order to sponsor banks in Nicaragua, Haiti, and other countries. In each village bank community, 10–50 neighbors come together to form the banks and make the institutions' decisions, which may include the establishment of revolving loan funds.

In Haiti, Fonkoze, another CII that take donations, runs a network of banks that provide financial services, including microcredit loans, to the rural-based poor who otherwise lack access to basics such as a checking account.

OPPORTUNITIES: Several community investment institutions accept donations. Regarding the examples above, your group can sponsor a village bank in a country served by FINCA for a donation of as little as $5,000. Sponsoring a new branch office in Haiti through Fonkoze requires $33,000 in start-up costs. Both organizations also accept general donations in any amount.

You can also help spread the word about community investing by donating to Co-op America's community investing campaign. We'll use your money to get more people involved in community investing and to provide investors with easy-to-understand resources showing the many options they can choose from. Call us at 800/58-GREEN or e-mail communityinvest@coopamerica.org for more information. CAQ

—Liz Borkowski and Tracy Fernandez Rysavy

Ron Londen

Loan officer Charlotte Arinaitwe meets outside of Kampala, Uganda, with the Kabalagala Widows Group, an Opportunity International Trust Bank.

ONLINE COMMUNITY INVESTING RESOURCES

Co-op America has two Web sites for community investing information:

• **For individuals:** www.coopamerica.org/go/communityinvest is designed to help individuals get started with community investing. You'll find easy-to-understand information, helpful links, and a section that walks you through the information on our more advanced site geared toward financial professionals.

• **For financial professionals:** www.communityinvest.org, a joint program of the Social Investment Forum Foundation and Co-op America, is designed to give financial advisers and institutional investors the information they need to get involved and get their clients involved in community investing. If you have a financial adviser, or want to involve the investment committees of your congregation, school, or workplace in community investing, send them to this Web site. And, of course, it's also a great place for you to get more detailed information on community investing. You can:

• Search for US and international community investments by issue area, geographical area, institution, and type of investment product.

• Get the latest news about the community investing field.

• Find financial professionals involved in Co-op America and the Social Investment Forum Foundation's 1% in Community campaign.

• Use the "Impact Calculator" to see what community investments of different sizes create around the world—in terms of number of jobs, homes, and businesses particular amounts can generate.

• Find detailed, advanced information on how to get started investing in communities.

Your investment dollars can also have an impact on communities here in the US. You can help low-income people at home start businesses, buy a house, and earn an education.

Community Investing at Home

When Portsmouth, New Hampshire, resident Wendy Walter found herself a single parent to a two-year-old and a four-year-old after her divorce, she knew it was time to find a job that both paid well and allowed her time with her children. A gifted potter, she thought starting her own business making dishes and home decor items out of clay would allow her to strike that balance while doing something she loved.

"I hocked my diamond wedding ring and bought a kiln and a wheel, and I was in business," says Walter. But she soon found she needed additional funds for glazing equipment and to market her new product line. Unfortunately, with no more jewelry to sell and an insufficient credit record to borrow funds from a traditional bank, Walter was stuck. Until, that is, she discovered a community investment institution right in her backyard.

Geoff Forester (courtesy of NHCLF)

Single mother Wendy Walter started Voice of Clay, a successful pottery business, with the help of the New Hampshire Community Loan Fund.

Started in 1983, the New Hampshire Community Loan Fund (NHCLF) provides capital to low-income New Hampshire residents for affordable housing, small businesses, and essential services like child care.

"We can provide access to a microloan and opportunities to develop business skills, helping [people in need] to start developing traditional business credit," says Rob Riley, director of the fund's Microcredit–NH program.

Walter borrowed $3,000 through NHCLF to buy the necessary equipment and to help launch her new product line. The line was such a success that she later took out another $5,000 for materials to meet new export orders to Ireland. By being diligent about repaying those loans, Walter was able to build credit and recently accessed traditional bank financing to further expand her business, Voice of Clay.

Today, Walter and Voice of Clay continue to thrive. Last year, she made the leap to renting commercial space after years of working out of her garage. In addition to working and selling her pottery in the new space, she also runs pottery classes and kids' camps—and so far, the space is paying for itself. She is also working with NHCLF to develop a peer business group, and, as a NHCLF Individual Development Account (IDA) saver, she is now saving to purchase a house.

"Wendy also gives back by advocating for the self-employed and microenterprises," says Riley. "She recently traveled with me to DC to meet with our congressional delegation—a visit that, in part, resulted in their support of Women's Business Centers and microenterprise program funding through the US Small Business Administration."

Many communities right here at home are overlooked and underserved by traditional financial institutions. That's why community investment institutions (CIIs) have formed across the US to serve local needs and provide the financing and educational, mentoring, and technical assistance these communities need. While your money can effect powerful change on an international level, you can also choose to invest in US communities, helping low-income people here at home lift themselves up economically and improve our communities.

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EMPOWERING PEOPLE IN THE US

With the diversity of our population here in the US comes a need for specialized services, and CIIs provide just that. For example, CIIs are finding new ways to bring financial services to our diverse population—from providing financial services to Latinos, the largest "unbanked" population, to growing the number of Native American-owned CIIs that provide financial services while preserving Native cultures. And a growing number of CIIs are dedicated to funding environmentally sustainable community development initiatives, including forest preservation, clean water production, eco-tourism, responsible farming practices, and recycling.

Make a commitment today to invest one percent or more of your portfolio in communities. As described throughout this issue, options abound for international community investing. You can also invest in US communities in the following ways:

1. Open a checking, savings, money market, or CD account. Investing in US communities can be as simple as choosing to put your money in a savings, checking, or money market account, or a certificate of deposit, at a community development bank or credit union.

When you open an account with a traditional bank, your money doesn't just sit in a vault—the bank invests and loans it out to make money for itself. Unfortunately, banks don't often ask their clients what they want to support, so your money can end up helping a corporation known for sweatshop abuses or funding construction of a big box store in your area, for example.

Community development banks and credit unions, on the other hand, channel funds into projects that build healthy communities. They help low- and moderate-income people buy homes, start small businesses, continue their education, or create much-needed services like child care.

Open a savings, checking, or money market account, or purchase a certificate of deposit with a community development bank or credit union to make your money work for social change. These accounts are federally insured up to $100,000, just like traditional banks and credit unions. To find banking options, visit our Web site, www.coopamerica/go/communityinvest. Many of these banks and credit unions offer online banking, so even if there isn't one near you, you can still use your banking to create healthy communities here at home.

2. Go beyond banking. You can increase your investing impact by putting a portion of your investments into US-based community development loan funds, venture capital funds, or pooled funds. Turn to "Tools You Can Use" (p. 14) for more information on these types of investments. The resource section on p. 20 gives you options for going beyond banking internationally. To find domestic options, visit our Web site at www.coopamerica.org/go/communityinvest.

3. Educate your financial adviser about community investing. Give your adviser a copy of this guide, and send him or her to our special Web site for financial professionals, www.communityinvest.org. Encourage him or her to get involved and to tell clients how to invest in communities.

4. Spread the word about community investing. Tell your friends, family, and coworkers, and give them copies of this guide to help them get started. You can also encourage the finance committees at your faith congregation, school, and workplace to invest in communities domestically and abroad. You can order bulk copies of this guide at special discounts to pass around—just call us at 800/58-GREEN. CAQ

—Justin Conway and Tracy Fernandez Rysavy

For more information about the New Hampshire Community Loan Fund, contact 603/224-6669, www.theloanfund.org. For more information about Voice of Clay, visit www.voiceofclay.com.

CO-OP AMERICA WORKS TO GROW COMMUNITY INVESTING

Co-op America, together with our partner, the Social Investment Forum Foundation, is working to promote and advance international community investing. We are engaged in the following activities:

1. Encouraging all investors to get involved—Through our "1% (or more) in Community" campaign, we encourage social investing institutions to place at least one percent of their assets in community investing, including international community investing.

2. Popularizing community investing—We provide tools and resources for investors wherever they are, including through our Web sites (see #3 below), investor conferences, special meetings with large institutional investors like mutual funds and large pension funds, and through both the financial and popular media.

3. Connecting individual and institutional investors to a wide array of community investing options via the Web—We offer two informative Web sites on community investing: www.coopamerica.org/go/communityinvest for individuals, and www.communityinvest.org for financial professionals and those seeking more advanced information.

4. Helping to develop new community investing options—We're working with community investing organizations and institutional investors to develop products and services that can make it even easier for people to invest in communities.

5. Working to overcome barriers to making community investments—We're helping investors find ways to place even more investments into community investments. We're also working to make community investing easier. For example. we're developing ways for people to make community investments through popular financial Web sites and investing programs, such as Schwab's.

In the past three years, Co-op America and Social Investment Forum members have channeled over $1 billion in new investments into communities in the US and abroad. Our work together is helping to expand this high-impact field that benefits the lives of people the world over.

Web Exclusive!: To read about an individual investing in a California youth employment and empowerment program, visit our Web site at www.coopamerica.org/go/communityinvest.

Resources

International Community Investment Institutions (CIIs) that Accept Investments from Individuals

Individuals and institutions can invest in loan funds* from the following CIIs in the minimum amounts indicated, and each CII also gladly accepts donations. (*Note that Calvert Community Investment Notes are not loan funds but pooled funds and that Underdog Ventures offers venture capital opportunities.)

ACCION International, 617/625-7080, www.accion.org. Partners with 26 microfinance organizations throughout Latin America, the Caribbean, and Africa, as well as serving US micro-entrepreneurs through the US ACCION Network. Minimum investment in ACCION's Latin America Bridge Fund and Global Bridge Fund is $2,000.

Calvert Social Investment Foundation, 800/248-0337, www.calvertfoundation.org. Offers Community Investment Notes where investors can specify that their capital be directed to international loans or to one of seven regions in the United States. Minimum investment: $1,000.

E+Co., 973/680-9100, www.energyhouse.com. Investors with more than $25,000 to invest can loan their money to E+Co, which empowers clean energy entrepreneurs in developing countries through business development support and investment capital.

FINCA International, 202/682-1510, www.villagebanking.org. Manages village banking programs in Africa, Latin America, Asia, and Eastern Europe. The minimum investment to help start a village bank is $10,000.

Fonkoze USA, 212/809-1850, www.fonkoze.org. Manages a socially responsible loan fund that lends investments to Fonkoze, Haiti's largest microfinance bank for more than 50,000 Haitians. Minimum investment: $2,500.

Nicaraguan Credit Alternatives (NICA) Fund, 608/257-7230, www.wccnica.org. Provides loans to small farmers, women- and worker-owned businesses, and other economic sectors in Nicaragua. Minimum investment: $2,000.

Oikocredit, 202/265-0607, www.oikocredit.org. Lends money to micro-enterprise programs in 67 countries of the world, including Bulgaria, Peru, India, Ecuador, and Ghana. Minimum investment: $1,000.

Rudolf Steiner Foundation, 415/561-3900, www.rsfoundation.org. Lends to countries around the world in the areas of "children and education, environment and sciences, arts and culture, economic and social renewal, disadvantaged communities, medicine and healing, and spiritual and religious renewal;" $1,000 minimum investment.

SERRV Community Investment Loan Fund, 608/251-3766, www.serrv.org. Provides advance payments to producer partners making Fair Trade crafts sold by SERRV International. Currently available in 11 states (minimum investment $1,000), and will become available in more states soon.

Shared Interest, 212/337-8547, www.sharedinterest.org. Shared Interest guarantees bank loans for low-income communities in South Africa. Individuals and institutions can lend $5,000 or more to Shared Interest for a period of three to ten years. The money is invested in the US and is used as security for South African bank loans.

SosteNica, 610/399-5228, www.sostenica.org. Provides loans to entrepreneurs and small businesses in Nicaragua, and accepts investments for a minimum of two years. Minimum investment: $2,000.

Underdog Ventures, LLC, 212/777-7099, www.underdogventures.com. Underdog designs and manages customized single-investor social venture funds, allowing investors to set geographic and demographic priorities. Investors do not need to be accredited. Investment minimum: $10 million.

CIIs that accept donations only:

The following loan funds accept donations. They also accept high-value investments from institutions and accredited investors. Please contact them for details.

EcoLogic Finance, 617/441-6300, www.ecologic.org. EF's Development Fund conserves endangered wildlife and wildlands by advancing community-based development and resource management. EF accepts investments from accredited investors and donations from all.

Grameen Foundation USA, 888/764-3872, www.gfusa.org. Provides funding, training, management and technical support, and technology to locally based microfinance institutions that empower the world's poorest people to escape poverty. Develops industry innovations to scale up microfinance's capacity to reduce global poverty.

Opportunity International, 630/645-4100, www.opportunity.org. A Christian ecumenical organization serving women and men of all beliefs in countries around the world by working through indigenous partner agencies providing small business loans, training, and counseling.

ShoreCap International (a division of ShoreBank), 800/669-7725, www.shorebankcorp.com. Through ShoreCap International, ShoreBank makes equity investments in financial institutions in Africa, Asia, and Eastern Europe that make small business loans. ShoreBank Advisory Services also assists more than 20 microfinance institutions in around the world to increase their capacity. (Visit the ShoreBank Web site to learn more about the relationship between ShoreBank's investment vehicles and its microfinance arms.)

Woman's World Banking, 212/768-8513, www.swwb.org. As a network of 23 affiliates in 18 countries around the world, Women's World Banking (WWB) focuses on helping low-income women build businesses and assets and improve conditions in their lives and communities.

Informational resources

To find more information on community investing, visit the following resources:

Co-op America's Community Investing Program, 800/58-GREEN, www.coopamerica.org. Co-op America's community investing program, in partnership with the Social Investment Forum Foundation, aims to increase investor involvement in community investing. We offer tools you can use to learn more about community investing—domestic and international—and what options are available. Visit our Web site for individuals at ww.coopamerica.org/go/communityinvest, and our Web site for financial professionals and institutional investors at www.communityinvest.org to learn more.

Consultative Group to Assist the Poor: www.cgap.org

Microcredit Summit: www.microcreditsummit.org

MicroCredit Enterprises, www.mcenterprises.org. facilitates the use of private capital to finance microcredit business. Program participants pledge collateral ($1,000,000 minimum) to achieve a social purpose. MCE is not an SRI fund; each Guarantor independently sets separate goals.

UN International Year of Microcredit: www.yearofmicrocredit.org

For domestic community investing options: To find US-based community investing vehicles, visit Co-op America's Web site for individuals at **www.coopamerica/go/communityinvest**, as well as our Web site for financial professionals and institutional investors, iin partnership with the Social Investment Forum Foundation, at **www.communityinvest.org**.

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