

Fondo Esperanza Chile

Fondo Esperanza serves over one hundred thousand entrepreneurs who are excluded from the formal banking system, in 240 communities, through its 52 branch offices. Its support of the homeless and those in prison through entrepreneurship, has given them hope for the future.

María Carrasco

Outstanding areas of initiative in 2015

School for Entrepreneurs

Innovative, two-year, integrated, educational proposal available to all its clients.

“My family protected” micro-insurance

Affordable insurance designed to benefit over one hundred thousand entrepreneurs and their families giving them cover in the event of incidents that might affect their incomes.

Excluded segments

Productive credit programs and training tailored to the prison population and the homeless to promote the development of productive enterprises.

Fondo Esperanza Chile

Fondo Esperanza SpA (Fondo Esperanza) is an institution that promotes entrepreneurship in vulnerable areas of the Chilean population. With a 13-year track record, it has shared the dreams of over 100,000 entrepreneurs in 240 different districts, through its 52 branch offices spread over the country from the north (Arica) to the south (Chiloé), supporting them as they set up and expand their productive activities.

The institution reinforces the importance of entrepreneurialism as a driver of development, providing microfinance services (microcredits and microinsurance), training (at its School of Entrepreneurs) and by promoting support networks for its clients.

The experience, quality and commitment of the over 500 professionals who work to help overcome poverty are an essential feature of Fondo Esperanza. It is an institution which provides opportunities for entrepreneurs who are excluded from the formal banking

system and offers them a personalized, local service, reaching out to the places where they live.

Fondo Esperanza’s help reaches population groups which are socially excluded and which have higher levels of vulnerability. Over two years ago now, it offered its products and services to a group of prisoners so that they could make their own futures (after they complete their sentences) by creating craft products. A similar project has made it possible to create support groups with homeless people.

In 2015 Fondo Esperanza improved its product and services portfolio by introducing the micro-insurance service “My family protected” through all its branch offices. This reaffirms the institution’s commitment to help vulnerable groups who need a safeguard in the event of adverse events having an impact on their incomes.

Management team and board

Management Team	Board
Mario Pavón General Manager	Ramón Feijóo President
Karina Gómez National Office Manager	Luciano Magnet Vice-President
Consuelo Herreros HR Manager	Jorge Cruz Díaz Member
Norma Espinosa Administration & Finance Manager	Javier Flores Member
Pilar Egaña Communications Manager	Andrés Silva Member
Pablo González Risk Manager	Cristian Barros Member
Zunilda Vergara Operations & Systems Manager	Juan Cristóbal Member
Daniela Olfos Development & Services Manager	
Oliver López Project Manager	
Fernando Jara Audit Manager	

Fondo Esperanza Stories of Hard Work and Achievement **María Carrasco**

María started from scratch selling her delicious pies.

In less than five minutes she lost the investment which had cost her years of effort. On two occasions, Nature has taken away her dreams. First an earthquake and after that a tsunami which destroyed her business and most of her home. There have been two major disasters in her life.

María Carrasco was a cook in a restaurant for many years. At that time she dreamed of having her own food outlet one day. With huge effort she achieved this, but it all came tumbling down in one night when nature turned against her. “Everything was going well, until that day, February 27. We lost everything: all the machinery and part of our home”, she recalls. On top of this calamity fell another blow: her husband lost his job as a fisherman and all the tools

he had bought with years of sacrifice. *“We were in a really tight spot, but we knew we had to make money. With two daughters at university, we had to start again, whatever it took, even if it was from the very bottom. In December of that year they invited me into Fondo Esperanza and I didn’t need to think twice about joining”*, she continues.

Thanks to the microcredits she received, she managed to restart the sale of pies, which have made her famous in the area. *“When it happened, we were helped by family members and friends, but we needed capital to buy goods and to get going again, this time as a family project. We delivered to small businesses and after a while we couldn’t keep up with demand, so we reopened our premises again”*, says this 53-year old entrepreneur proudly. **She has turned her passion for cooking into a family microenterprise, the profits from which have a definite purpose: to pay for her daughters’ education.**

The “Don Chano” pie kitchen has won a solid place among the diners of Dichato, in the VIII Biobío region. María holds the secret in her hands. *“I love cooking, that must be why we have lots of customers; in the summer I had three people working with me, because we couldn’t manage on our own”*, she adds.



María Carrasco

As to her experience with the institution, she has nothing but gratitude. **“Fondo Esperanza supported me in the worst moments and believed in my project. I think they make a big contribution to people who are starting from the bottom, and who dream of doing better.** *They have helped me to make progress, to improve my standard of living and that of my family”*, she ends.

María has not stopped dreaming. Her next challenge: to open her own restaurant. And her vision of her future with Fondo Esperanza is *“to carry on with my business. I promise anyone who wants to sign up with Fondo Esperanza, that they will receive support; that they can do what they dream of doing and with Fondo Esperanza’s support they can achieve it”*.

Scan the QR code and watch the video about María.



Fondo Esperanza Stories of Hard Work and Achievement **Jaime Gutiérrez**

Salmon with style.

Jaime Gutiérrez lives in El Quisco, next to the sea. A treasure trove of objects are scattered around his workshop and right in middle there is a sign saying “Salmon leather”. This is the name of his business, where he spends his whole day working on the skin of this fish. From his nimble hands, bags, shoes and accessories appear. Since his imagination is boundless, he sometimes mixes it up with other types of materials.

Jaime started his enterprise in 1975, in the region of Melipilla, where he had his shoe workshop. But the avalanche of Chinese, Japanese and Brazilian shoes that flooded the Chilean market several years ago hurt his trade so much that it forced him to close down his workshop and start again. This he did in the coastal region of El Quisco. He moved there with his wife, to a workshop in an attractive house with a maritime feel. That was six years ago, and he joined Fondo Esperanza after three. “*I learned about it from a friend who crafts things in leather*”, recounts Jaime, who was happy to form part of the lending group “Creciendo Juntos”. “*I wanted to meet new people*”, he explains.

When he joined the institution, his business was already up and running, “*The reason for joining Fondo Esperanza was my business, to share experiences with new people. Fondo Esperanza helped me strengthen the weak points in my business,*

with the capital I needed to acquire more material”. His years of experience have strengthened the enterprise that he shares with his wife, who is also part of the business. “*She makes the rings and appliquéés that we combine with the leather*”, he goes on.

Jaime works tirelessly: he buys the leather, dyes it and shapes it on the lasts to make good quality and unique shoes. He checks that the stitches look right and that the fit is comfortable. His small company is growing steadily. “*My next stage is to bid for some regional funding to expand the business. We want to make some display cases so that we can exhibit products in different places*”.

His imagination does not stop here. Jaime’s dream is to create a village of craftspeople in Algarrobo, “*to leave a legacy for tourism in the area*”. Although he is already aware of his achievements, particularly that of being able to run an enterprise in a region far from the capital and with a much better standard of living. “**Fondo Esperanza does a great job in supporting people. Entrepreneurs have to join forces; it can be a springboard in their lives**”, he concludes.



Jaime Gutiérrez

Scan the QR code and watch the video about Jaime.



Fondo Esperanza

Outstanding Areas of Initiative in 2015

School for Entrepreneurs

This is an integrated, solid proposal for entrepreneurs, adapted to their needs, contributing to their empowerment and the development of their enterprises.

The School for Entrepreneurs uses teaching methods which enable adults to participate actively in their education, where the entrepreneurs are the main drivers of their learning and personal growth process. It focuses on different areas of competences and uses a continuous, flexible training model that is adapted to the entrepreneurs' needs and learning speeds.

This innovative teaching approach, with courses lasting two years in all, consists of 18 education modules which make up four areas of learning: designing the enterprise, the welfare of your family, empowerment and social capital.

Empowering entrepreneurs and facilitating the training they need for their activity and reality are the goals of the School for Entrepreneurs.

Productive credits program and training for prisoners

One of Fondo Esperanza's goals is to reach the most excluded groups in Chilean society, those whose personal conditions mean that their development opportunities are even more difficult to realize. The institution has developed a pioneering project in Chile for this purpose, to support people deprived of their liberty with productive loans and training, a program which has been designed in partnership with Chile's Gendarmerie.

This program, already operating in penitentiaries in Osorno, Quillota, Victoria, Traiguén, Puente Alto and Colina, has supported prisoners who have been able to strengthen their small enterprises selling leather and wooden objects, textiles, etc.

Entrepreneurial program for the homeless

In September of 2014, Fondo Esperanza kicked off a pilot plan to drive productive development for people living on the streets, in partnership with Emplea, an NGO belonging to Hogar de Cristo. In its first year this project has made it possible for people living on the streets of Santiago de Chile to receive a full-service package to strengthen their productive activity and give them a real opportunity in the future. Supported by loans, advice and training, these individuals buy and sell personal hygiene products, foodstuffs, services, etc.

These innovative programs adapt our methods to the particular needs and situation

Fondo Esperanza reaches highly vulnerable, socially excluded groups of the population. It supports homeless people and the prison population so that by starting productive activities they can forge a future for themselves.

of people in prison or living on the streets, profiles which need even more attention and care.

"My family protected" micro-insurance

"My family protected" is an insurance policy designed to provide solutions that help entrepreneurs and their families, giving them a safeguard in the event of incidents which may have a negative impact on their incomes.

With very affordable monthly installments payments and the convenience of being able to bundle them into microcredit installments, entrepreneurs opt to take out a micro-insurance policy which the benefi-

ciary can use in the event of his/her death, total or permanent incapacity or loss of limb. It also includes cover for the funeral expenses of the person contracting the product, thus completing the package.

This new microfinance service is the reflection of entrepreneurs' concerns. Fondo Esperanza works so that they can access a variety of financial products to give them complete solutions to their needs and which help them to make progress in their enterprises, to better themselves personally and, in this way, cease to be vulnerable.

Chile

Macroeconomic Context

After the increases between 2010 and 2012, economic growth has slowed for the third consecutive year.

The Chilean economy grew by 1.8% in 2015, showing for the second year in a row the lowest growth rates of the last 15 years, except for the 2008-2009 global financial crisis. In the last few years, activity and demand have increased only sluggishly. This is partly a result of external shocks, particularly the moderating growth in China, responsible for nearly half of global copper demand, which has caused a 25% fall in the price of this raw material, Chile's main export product.

This has caused a greater deterioration than expected in the natural resources sector, especially in mining, as a result of the production cuts that mining companies have implemented in response to the fall in price. Performance in other sectors was somewhat more favorable, particularly in construction and some service sectors.

Domestic demand rallied by 2.0%; in this figure, consumption expanded by 2.3%, demonstrating the marked downward trend since 2011, when it surged to over 5%, the result of a prolonged lower growth rate, both in employment and in real wages, which were reflected in lower consumer expectations of future performance and, as a result, the adjustment in consumption. Personal spending grew by only 1.8%, driven by expenditure in services, mainly healthcare and communications, and followed by consumption in non-durable consumer goods.

Public consumption, however, accelerated in the second half of the year, as a result of greater budgetary execution, making it the mainstay of consumption, taken as a whole.

After falling 2.7% in the first half of the year, investment jumped 7.1% in the third quarter, bringing accumulated growth over the year to 0.5%. The result was driven by good one-off results in machinery and equipment, which expanded by 12.2%, as well as in construction and other building, which grew by 5% in all, driven by higher investment in the sector. In the year as a whole, investment edged up by around 0.8%.

Expectations on the part of both consumers and investors as reported by the central bank were at their lowest since 2008, at 25 and 12 points below the neutral zone, suggesting that weak growth will continue in both consumption and investment.

The external situation is to a large degree the cause of this perception. Global growth expectations have softened, the expected Federal Reserve rate adjustment occurred without provoking significant changes in global financial markets, with the widespread conclusion being that growth will adjust, becoming much flatter than forecast.

All these factors are having an impact both on agents' expectations and on the result in the external sector, which continues to be poor, even though the adjustment has been significant, going from a current account deficit of 3.7% of GDP in 2013 to an estimated percentage of 1.2% of GDP in 2015, because of a deficit in both the balance of trade and income.

Exports have shrunk by around 17%, while imports have decreased by 9%. Financial account transactions resulted in Chile's indebtedness with the rest of the world coming in at USD 4.5 billion. These revenue resources to the Chilean economy came mainly from pension funds and the government.

This persistent deterioration in the external sector since 2013 has caused an accumulated depreciation in the exchange rate of 25% over the period, with a real adjustment of the exchange rate since 2013 of 16%, which has made it possible to mitigate in part the deterioration in the terms of exchange.

The pressure on the exchange rate has discounted significant inflationary tensions, mainly a result of the Chilean economy's high import ratios, in particular the increase in inflation on goods. Annual inflation closed the year around 4%, breaching the upper limit established by the central bank. Core inflation closed at around 5% per annum, demonstrating the real tension on prices, inasmuch as it isolated the effect of lower oil prices on the Chilean economy.

Chile's Central Bank Committee responded to the higher inflation by raising the Monetary Policy Rate at the end of the year by 25 base points to 3.5% after a long period of stability. In real terms, despite this increase the real rate is negative, with a clear expansionary risk for monetary policy. The cost of credit is still low in historical terms; nevertheless, with the exception of mortgage loans, real annual growth in credit is low, stuck at around 5%.

In order to support an economy showing lower growth rates, the Chilean government pushed through expansionary fiscal policy, with a 10% real increase in spending over 2014 execution, which together with lower growth in fiscal income resulted in the central government's public deficit representing 3.2% of GDP in 2015, double the deficit for 2014.

Unlike other economies in the region, Chile has margin for maneuver in the deterioration of public finances, since the public sector had financial assets of around USD 26 billion at year end, allowing it to partly buffer the impact of lower revenues as a result of the fall in the copper price: these revenues

account for 50% of the country's exports and a major proportion of fiscal income.

In the labor market, the unemployment rate remained fairly stable, with the latest figure available for 2015 standing at 6.3%, similar to 2014, with a slight fall in the labor force and the numbers in employment sliding a little. The reduction in real estate and rental activities was 4.5%, while retail slipped 1.4%. This was offset by the 2.2% growth in employment in the Public Administration.

7.9 million people work in Chile. Around 13% of the population works in agriculture, over 23% in industry and 64% in services. Of the total working population, 59% are men and 41% women. 55.6% of workers are between 35 and 59 years old. 44% have received secondary education and most work in retail and industry, although in the last year most of the new jobs created were in the public sector. Over 70% have a fixed term contract and more than 80% work in an SME.

32% of the labor force works in the informal sector, while the self-employed and/or micro-entrepreneurs make up 21% of those working.

Chile has the highest level of financial inclusion in the region, with 63% of adults having some kind of account in the system. Nevertheless the particular needs of an economy in which small companies provide such a high proportion of jobs should be supported and understood.