

MiamiHerald.com 

Posted on Mon, Apr. 21, 2008

## Root Capital helps grass-roots eco-ventures

By JIM WYSS

In South Florida a few months ago to attend an award ceremony for the Ashoka social entrepreneurship foundation, William Foote, a former Miamian, talked about Root Capital -- the nonprofit he founded in 2000 to finance environmentally sustainable businesses in the developing world.

Based in Cambridge, Mass., Root Capital targets grass-roots ventures, such as organic coffee and cocoa cooperatives, that are too large to benefit from micro-loans but too small to approach traditional banks. Root reaches out to this "missing middle" by providing loans of between \$25,000 and \$1 million, along with training and capacity building.

To date, the organization has issued more than 360 loans worth \$78 million to 175 businesses in 26 nations. In the process, 39-year-old Foote (whose father, Tad, was president of the University of Miami for two decades through 2001) has racked up a number of accolades. Fast Company gave Root Capital its Social Capitalist Award in both 2007 and 2008, and The World Economic Forum recently named Foote a 2008 Young Global Leader.

Here are excerpts from a discussion with Foote about using the tools of Wall Street to make the world a greener place.

**Q:** What is Root Capital's mission?

**A:** To fight rural poverty and conserve natural resources by providing affordable credit and financial education to green businesses that dramatically improve household incomes for the rural poor.

We are focused on enterprises -- like farmer and artisan associations and other small- and medium-size enterprises -- locked out of the banking system for lack of traditional collateral or [because] of their remote location.

**Q:** Explain the connection between poverty and the environment.

**A:** We start from the premise that you have environmental degradation and biodiversity loss on one hand, and poverty and hunger on the other, and that those issues are very closely interlocked. . . . Subsistence farmers who are struggling to scratch out an existence in fragile landscapes are forced into short-term, money-making strategies [such as] illegal logging and clear cutting that threaten their longer term economic prospects.

**Q:** How do you get investors to take a risk on these small enterprises?

**A:** Microfinance came up with creative ways to collateralize uncollateralized borrowers through peer

pressure. In most of our lending, the main security is future purchase contracts with companies like Green Mountain Coffee Roasters, Starbucks and Whole Foods. We take the cash flow -- tied to consumer demand for sustainable natural products -- as collateral against the credit we provide to these grass-roots businesses around the world. We are moving beyond traditional approaches to collateral. The idea is to come up with ways to redefine risk assessment in rural finance.

**Q:** How have the loans Root Capital has issued been performing?

**A:** We have a 99 percent repayment rate after seven years. And we believe that if we can prove the business case of lending to the rural unbankable, we can really do what microfinance did. That is, show local financial institutions that this is an asset class they can penetrate profitably.

**Q:** What are you doing to encourage banks to pick up the slack?

**A:** Next year we are launching a bank advisory and training service so we can go to banks in, say, Guatemala and tell them: ``Don't tell us you can't do this. We have groups with a credit history, and there is visibility in this booming green and ethical marketplace, and you guys can do this."''

. . . At the end of the day, we want to work ourselves out of a job as quickly as we can. Unfortunately, I think we'll have a job for a long time. The market failure is such that we will be doing this for many, many years.

---

© 2008 Miami Herald Media Company. All Rights Reserved.  
<http://www.miamiherald.com>