

Micro-Lending: Not Always the Answer

Organizations like Oxfam and Grameen Foundation have made funds available to the world's poorest individuals in a way never envisioned before.

In the case of Oxfam, loans are savings-led, requiring no external capital. Each member contributes a small amount. Members of the group take loans with a set rate, repaying and distributing funds at the end of the loan cycle.

But problems have emerged as well. In some cases local banks have tried to benefit from the micro-lending trend by charging exorbitant interest rates – up to 180% annually. This practice is not readily disclosed to the public.

Using Internet sites, North Americans are able to loan money to specific individuals and their projects. Interest received from the loan is paid to the micro-investor. However, the actual interest rate paid by the borrower is not disclosed and is significantly higher. In addition, too often these small businesses rely on exports to richer countries thereby making them dependant on the strength of another country's economy.

Katherine Duggar from the Harvard Business School, speaking at the Grantmakers without Borders annual conference, highlighted the main concerns in the rapidly growing micro-finance industry.

First, rural areas where there are significant poor populations are not easily served with micro-lending. Conversely, in urban slums people are mobile and there are few regulations, so lenders may come and go. In addition, when there is a low payment rate or many borrowers in arrears, collectors take collateral, require forced savings or chattel property.

Given the occurrence of these negative scenarios many poor people decide not to take the risk of borrowing, thus missing an opportunity to move themselves and their families out of extreme poverty.

Without significant reform micro-finance may miss the mark in helping the world's poorest. Key reforms include: monitoring bank lending practices with protection for clients; regulating interest rate ranges and how money is collected; creating incentives for lenders to monitor one another; offering programs in rural areas where lenders are not currently present; and, finally, keeping the focus on businesses which are diverse and local to strengthen the local economy.

The Good, The Bad and The Ugly

The concept is great: Give women access to funds and let them use their creativity and energy to create businesses to support their families. And micro-lending has been successful. Funds are now available in many parts of the world which didn't previously have access. But like every good thing, it can be taken too far or manipulated:

- Family members force women to access funds and then use them for other purposes.
- Banks get into the micro-lending business and make a profit off the backs of the poor.
- Lenders often charge very high interest rates.
- Organizations give loans far and wide and then outsource the collection of debts... and have little control of collection methods.
- In regions where there are many sources of loans, women sometimes get a succession of loans to pay off previous balances.

Mary's Pence ESPERA Funds are different.

- Networks of women are granted a pool of money... it's theirs.
- The women manage the funds, so decisions, including interest rates and collection methods, are in the hands of the community.
- Giving to a network of women promotes working together. Many of the loans given by ESPERA Fund grantees are for collaborative projects.

The Power of Networks



Kitty Madden and Reyna Moreno

The story of Mary's Pence in Nicaragua, and the formation of *Red de Mujeres de Nicarabault*, is a beautiful story. Mary's Pence had been giving to women in Nicaragua for years. Kitty Madden, a member of the board and a leader at Casa Materna, a grantee in Matagalpa, Nicaragua, saw that there were many talented and dedicated women in Nicaragua who were connected through Mary's Pence but did not know each other.

So Kitty organized a gathering; seven groups were present, and *Red de Mujeres Nicarabault* was born. The network has grown to a collaborative of 13 women's groups across western Nicaragua, and they have new groups seeking membership in the network. The women of the network meet annually to make connections, share experiences and develop skills. This group received ESPERA Funds, and this spring it gave its first loans.

Red de Mujeres Nicarabault elected founding coordinators from within the groups, and a powerful team was formed.

Reyna Moreno Lazo is an outgoing, get-things-done type that likes to challenge the status quo; walk down the street with Reyna and she will introduce you to half the community.

Maritza Aura Andino is a savvy organizer and business person. She's one of the founders of the Ojoche project which won a prize in Nicaragua for entrepreneurs.

Zoraida Sosa has long been active in the community and has a passion for combating violence against women; she's the mother earth type, recognizing and nurturing the creativity and value of each woman in the network.



The three coordinators of the Nicarabault Network in Nicaragua:
(L to R) Reyna Moreno, Maritza Andino, and Zoraida Soza

This is the team that is supporting the work of the 13 groups involved in the network. Mary's Pence supported the formation of this dynamic team and is making their energy and expertise available to women's groups in Nicaragua.

To read more about the role of networks in social change read an article by Margaret Wheatley at <http://www.margaretwheatley.com/articles/emergence.html>.

Mary's Pence – Who Are We?

We are a small organization with a big vision. We want women in the Americas living in poverty to have a say and a hand in how poverty can be alleviated and social equity achieved. Therefore we invest in local women who are creating models to increase women's economic status and improve their status in their community. We look for models that foster women working together, to learn from each other, support each other, and explore new ideas. We fund women in North, Central and South America.

Asociación de Mujeres Sembradoras de Esperanza

The indigenous women of Asociación de Mujeres Sembradoras de Esperanza, of Santa Cruz de Quiché, Guatemala have been working on organizing and supporting each other for 6 years. The Asociación is made up of 14 groups from local communities, and they are Mary's Pence newest ESPERA Fund Partner.



Women of the Asociación de Mujeres Sembradoras de Esperanza

With an initial \$5,000 grant, 40 women in two communities have received loans of 1000 quetzals. With these loans the women have purchased animals for breeding, supplies for their corn crops (a staple in Guatemala) and treats for their families. Mary's Pence will work with the women of the Asociación to expand the fund to reach more women over the next couple of years.

An ESPERA Fund is a grant to a women's networks to create a lending pool in their community. The women own the funds and manage the funds. Mary's Pence provides additional support during the first few years with resources for training and for travel and meals for gatherings and sometimes a coordinator's salary. We accompany the group on this new enterprise by visiting with the women 2-4 times per year.

In Guatemala women seldom hold property or have access to resources. These loans provide a way for women to increase the prosperity of their families and gain some personal independence. Each group in the Asociación has a leadership team which visits the women who receive loans to provide support.

The Asociación was founded by Sr. Marucha, a local indigenous woman. She has worked with the women to form a group, develop their spirituality, and gain leadership skills. When the groups first formed, women were reluctant to speak in a group. During a recent visit with Mary's Pence Fund Facilitator Gilda Larios and Executive Director Katherine Wojtan, groups created agendas, told their stories, and frequently did the translation from Quiche, the local language, to Spanish.



Sr. Maruca

During this visit women shared their stories of the difficulties of their daily lives, and how they still have anger and fear from the events of the armed conflict of the '80s. One woman told how she survived by hiding among dead bodies, and how after finding her parents a couple days later they were so traumatized they did not know their own children.

It is a privilege to be a part of the journey that these women are taking to improve their communities and gain economic security. As donors, you can be part of that journey.

View a 4 minute video about Mary's Pence ESPERA Funds at <http://www.maryspence.org/espera-funds.html>

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Mary's Pence

Funding Women. Changing Lives.

ESPERA Funds – A New Direction

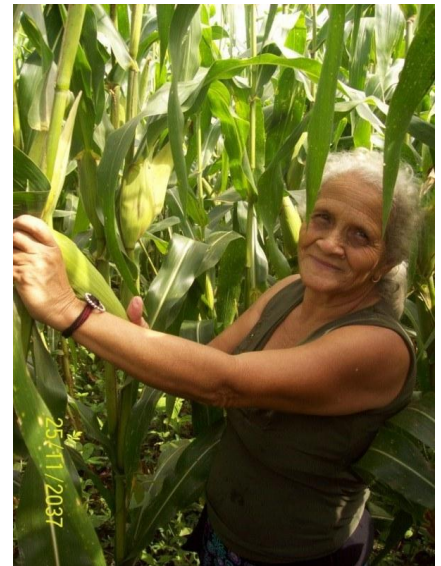
At Mary's Pence we know that in order to be successful any lending program has to include values that support women. The values that guide Mary's Pence include collaboration, fostering learning and empowerment. We focus on projects that build the common good, support women with training and technical support and measure success by the program's affect on families and communities rather than by profit or repayment rates.

From this experience we developed ESPERA Funds. ESPERA means “she hopes” in Spanish and stands for *Economic Systems Promoting Equitable Resources for All*. The ESPERA fund community-lending program supports the values of Mary's Pence, and is a one-time grant to a community.

ESPERA self-renewing funds, administered by networks of women's groups, are used to finance income-generating projects that promote the common good and enable local women to support community based solutions. This new initiative is based on an effective “peer-lending” model created by former board member Gilda Larios in rural Mexico.

Concertacion de Mujeres de Suchitoto in El Salvador was one of our first ESPERA Fund partners. Beginning in the fall of 2008 with visits from our grants advisor, community members selected a project coordinator and agreed on criteria for women to receive funds. They also established replenishment terms, and a plan to provide business and financial training.

We have learned much from this dedicated group of women. The women have started a number of businesses that are sustained by the local economy. They are learning how to manage their ESPERA Fund in a way that works best in their community. Early on they realized that a coordinator would help them stay focused and keep good records. But how would they pay for the services of this coordinator? Since fund participants determine the interest rate to charge, the group decided to use part of the interest to fund the coordinator position. In addition, Mary's Pence helped to fund their coordinator for the initial year before interest was paid.



The women are well organized. Representatives of the group meet regularly. Women have borrowed money and invested in shops, in a bakery, and in agriculture projects. Some of the new businesses even have plans to expand. For many women this is the first time that they have money of their own.

The women are learning the value of saving their earnings. The idea of saving for the future is something new.

Access to resources fundamentally changes women's position in their families and communities – they can rely on their own resources and make decisions that benefit their families and their children. If a woman has adequate income her children have access to health care and education.

At Mary's Pence we are committed to this vision. Using what we have learned in this initial year, we continue to create additional ESPERA Funds for community lending. Our strategy provides opportunities to women in the poorest regions of the Americas. As a grassroots donor community we can only do this with your support. Your contribution will help us to fund women-led ESPERA Funds in new communities.