

# Strengthening Communities through Micro-Lending: A Journey of Discovery from Mongu to St. Louis

Bridget McDermott Flood, Executive Director, Incarnate Word Foundation

The Incarnate Word Foundation's journey to bring micro-lending to St. Louis began in Mongu, Zambia, an eight-hour bus ride through the bush from the capital of Lusaka. Several of our Mexican Sisters from the Congregation of the Sisters of the Incarnate Word were there working with mothers in an HIV/AIDS clinic, and we were coming to develop programs in micro-lending and early childhood development. Even though I had not done micro-lending, I was familiar with the concept. With the hubris I saw in the philanthropic world and in myself, I was confident that I could easily conduct a workshop on this topic. How hard could it possibly be? As it turned out, it was surprisingly easy – but not because of anything I did.

## Mongu

The heat and dust of Mongu in October was tempered by the beauty of the convent gardens and the hospitality of the Lotsi women who arrived for the workshop wrapped in colorful batik fabrics. Senana, a Lotsi princess educated in England, would serve as our translator and group leader for the newly formed Masupanzila Women's Empowerment Association. I began to pass out a powerpoint and that was when I realized that my approach was completely wrong. How could I tell these women how to organize their micro-lending program just because we were providing funds through Women's Global Connection, an international ministry of our Sisters? I had never walked their path. It turned out the powerpoint handouts made great scrap paper.

Instead, I posted a series of questions:

- What types of loans would be made?
- What activities were precluded from being funded?
- Who could borrow money?
- What was the interest rate?

Then I sat back and listened. The women quickly delineated how the program would work. Some were outspoken, others reserved, but all contributed their proverbial two-cents worth as Senana called on each to express her thoughts. They determined the interest rate by going around the table. The funds would be divided between a micro-lending program to start businesses, and money that could be tapped for the rice cooperative, children's school fees, emergency needs, and a funeral fund. They worked so quickly that we were able to spend time in the afternoon developing the beginnings of a business plan for their rice cooperative. When our time together concluded, they sang as they swayed and danced around the conference table. I was a long way from St. Louis, and I had re-learned some important principles:

- Building healthy communities is all about empowerment of the people themselves.
- Foundations can bring resources and knowledge, but these are tools not the solution.

## St. Louis

My time in Africa was a period of deep learning, and I was determined when I returned to St. Louis to do micro-lending there. I began by tracking down an expert in the field who had served as faculty at a

leading university and was currently an international micro-lending consultant. His reaction was quite negative: micro-lending could never work in the United States if left to the hands of the people themselves; we have an entitlement culture, and the poor could not be trusted; the poor are uneducated and unmotivated. I explained that the groups that I was thinking of were personally known to me, and he responded that that would be even worse – that people would be even more likely to take advantage and abscond with the money. If I were to do this despite his counsel, he recommended working with immigrants because they would be more responsible and industrious. I thanked him for his advice and said I was going to do it anyway. He laughed and said it sounded like fun but would not work.

I began by inviting several agencies to a meeting to discuss the possibility of micro-lending. I told the agency directors that Incarnate Word Foundation would provide \$5,000 in start-up funds as a grant, not to be repaid. I made the decision to make this a grant, not a loan, so that the agencies would not be compelled to run the lending program but would serve as conduits to community members who would form the micro-lending groups. There were no strings attached. If the groups failed, the agencies would not be liable for the funds.

Certain criteria were key in the agency selection:

- **History:** The agencies had a long history of working with Incarnate Word, and the agency directors were comfortable being honest and direct.
- **Relationship:** The community members were well-known to one another. In most cases, they saw each other almost on a daily basis. The community members also had significant personal relationships with the agency directors. These were not agency directors who treated people like clients – they were neighbors. The strength of relationships is probably the most important success factor.
- **Interest in Long-Term Systemic Change:** The agency directors were committed to long-term relationships with individuals to change circumstances and were not focused on providing services that merely enabled clients to survive.
- **Commitment to Community-Building:** Whether the community was a physical one, like the Forest Park Southeast neighborhood, or a virtual one, such as the support group at Let's Start, all of the micro-lending groups relied upon this sense of community to buttress their efforts.

We began with five groups. One, a domestic violence transitional housing agency, never was able to start a group because of the challenges abused women had in trusting others. That agency returned the funds after a few months of dialogue. A second agency offering transitional housing to homeless mothers began the program with micro-loans but, based on input from the women themselves, requested that the funds be shifted to an individual development account (IDA) matched savings program.

Three groups have thrived. These groups are sponsored by Let's Start, a support program for ex-offenders; East Side Heart and Home, a grassroots housing cooperative; and Midtown Catholic Community Services, a neighborhood revitalization agency. Of these, the Women's Helping Hands Bank at Midtown offered the best example of how micro-lending can be an essential tool for building healthy communities.

The Women's Helping Hands Bank began with 11 women. They worked together to develop the outline for their program. It is driven by the women themselves – not by agency staff. At first, the women were hesitant to even try to develop a micro-lending program. They doubted their own abilities and were skeptical. As they came to the realization that they really were in charge, however, they quickly created their own unique program. Unlike micro-lending in the developing world, the Women's Helping Hands Bank focuses its program on providing loans for daily living – car repairs, appliance purchases, school tuition, and back bill repayment. This enables members to avoid rent-to-own stores, payday

loan offices, and other predatory lending that is rampant in the urban core.

The women give applicants points based on their participation in the bank, attendance at meetings, and volunteer work. Most of the women have incomes of less than \$12,000 per year. The repayment rate for the loans has been about 94 percent. One of their first loans was to the group itself. They lent themselves \$400 to host a fish fry and doubled their money. The bank then had an annual membership meeting at a local Italian restaurant – nothing fancy, but for many these women, one of the few times they were able to go out.

More importantly, the Women’s Helping Hands Bank has expanded its reach into several other areas. They created the Urban Greens Market, a membership farmers market that provides access to produce from local farmers in what was once a food desert. Fees from the sliding scale memberships subsidize the costs of fresh produce and eggs. The market also provides health screenings and cooking lessons. The women’s latest venture is their own version of a matched savings program for neighborhood youth, similar to an IDA program.

I purposely did not meet with any of the groups when they were in the formation stage. I wanted to avoid having the group dynamic shift from what the group actually thought would work to how do we please the funder and do what the funder would do. After two years, however, I invited the women from the Women’s Helping Hands Bank to meet with the foundation’s advocacy committee to request \$1,000 for the youth-matched savings program. These women had become empowered, articulate advocates for the community, and the foundation’s board members had no hesitation in providing more funds. Since then, I have been invited to sit with the women in dialogue as they work to develop skills that will enable them to begin a housing corporation. And it all started with \$5,000.

Micro-lending in St. Louis requires:

- addressing cultural biases that erroneously regard the culture of the urban core as an entitlement culture that lacks fiscal responsibility and integrity;
- avoiding hierarchical models and challenging participants to recognize that they have valuable knowledge and skills, and can develop the program themselves, not rely on outsiders with more education and resources to impose a program upon them;
- building upon the strong relational skills and networks among women in communities;
- creating joint decisionmaking within the group and a shared sense of responsibility; and
- stressing the ability of each woman to explore her own dreams and determine her own destiny.

## Final Reflections

The story of our micro-lending program that I carry with me involves a mother who needed \$1,000 to keep her daughter in a Catholic high school as opposed to the alternative – a poorly performing public high school in an unaccredited district. She had a garage sale and that, in addition to money from family and friends, yielded \$500. Still \$500 short, she went to the micro-lending group and borrowed the \$500 dollars, which she has since repaid. Her daughter graduated two years later and is in college today.

This story always leads me to the road not taken. What would have happened to that girl? Would she have still graduated – gone to college? And what would have happened to her relationship with and belief in her mother? And finally, how would the mother have felt about herself, her abilities, and her capacity to provide for her daughter? What would the mother’s life have been? Because of \$500, we will never ever know what would have happened on that other path.

The micro-lending program began with \$25,000 that was left over from the annual grant budget – it was an experiment born out of personal experience. There was no strategic planning or needs assessment, and the best practices were limited to a cursory reading of Muhammad Yunus’ book, *Banker to the Poor*, on the plane ride to Mongu. Actually, the only expert consulted said to not go forward. And

yet, whenever I speak about the Incarnate Word Foundation, it is the program that most engages the imagination. It is the program that most reflects the spirituality of our Sisters, their belief in the divine presence within all of us. The micro-lending program is a tangible manifestation of the possibility within people to realize their own potential if they have the tools to do so. The path to creating health communities is within the people themselves.