RIPPLE EFFECTS OF MICRO-LOANS

The Colombia Project was created with the dual mission of helping impoverished entrepreneurs with micro-loans and strengthening the effective grassroots organizations that serve their communities. The following chart of activity in the two oldest sites attests to the success in achieving those primary goals.

<table>
<thead>
<tr>
<th>Site</th>
<th>Age</th>
<th>Funds Received</th>
<th>Loans Issued</th>
<th># of Loans</th>
<th>Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Genova</td>
<td>12 yrs.</td>
<td>$13,500</td>
<td>$143,000</td>
<td>585</td>
<td>$20,600</td>
</tr>
<tr>
<td>La Victoria</td>
<td>8 yrs.</td>
<td>$16,602</td>
<td>$122,000</td>
<td>457</td>
<td>$21,700</td>
</tr>
</tbody>
</table>

However, it eventually became clear that the benefits went far beyond those two expectations.

On a visit to impoverished neighborhoods in Barranquilla with an organization called NU3, it dawned on me that the loan recipients provided a valuable contribution to their communities by bringing small businesses to commercial deserts. A small store carved out of a neighbor’s living room might sell stationery items, cleaning products, and a variety of food items. Yes, they cost more than they would at a store in town, but are a fair price when you factor in the time and transportation costs.
In Colombia, it is required that retailers that sell over the counter drugs and basic medical supplies have some sort of medical training. The daughter of one of the NU3 borrowers was studying pharmacology, which qualified the household to establish a neighborhood pharmacy – a good business for the family and an asset to the community.

One of the main reasons why children drop out of school in Colombia is to earn money to help their parents meet basic needs for food, shelter and health care. In countless dusty communities with unpaved streets and minimal sanitation, I have visited homes where loan recipients proudly referenced their sons and daughters who were studying in Colombian universities. In Villa Maria, I witnessed a conversation between a loan recipient and her son. She designed and painted wall decorations for children’s rooms to support her handicapped husband and her
son, who offered to drop out of school so that she wouldn’t have to work so hard. Her answer was a firm, but loving “No.” Like most parents, what she wanted more than anything was for her children to have more opportunities in life than she had enjoyed and she understood that education was clearly the way to achieve that goal. Profits from her small business helped keep her son in school.

Looking at the many photos I have received of micro-loan recipients, I often observed excitement and pride in the eyes of the children. They thought it was cool that their mother (or father) had a business. Sometimes the children got involved as well. Gloria, a particularly talented WAYUU Indian who helped others to produce and market colorful hammocks and bags called mochillas, often let her pre-teen children act as salesmen. They were charming, persuasive, self-confident and successful. They were empowered with a ‘can-do’ spirit. This was not to be their life forever. One wanted to be a veterinarian.

Productive parents typically raise productive children.

Another ripple effect from Gloria’s success are the services she and her group provide to less fortunate members of the community. They set aside funds to help displaced members of various indigenous groups who found themselves in Santa Marta without funds. The government has programs to help displaced persons, but there are still many
displaced people these programs do not reach. Gloria and her team of weavers are there to help fill the gap. This is not an isolated case. I saw numerous instances of borrowers who were barely making ends meet but who nonetheless were ready to help others.

Gloria also helped indigenous weavers to avoid displacement by marketing their weavings in the city, which was a ten-hour car ride from their homes in the Guajira. In addition to the distance, there was also a language barrier since most of the weavers spoke only the indigenous dialect and could not negotiate in Spanish. Gloria opened a door for them.

Many people we saw in the Guajira were extremely thin and Gloria would take children she felt to be particularly at risk to the city where she nourished them back to health. On trips to the Guajira, she loaded her Land Rover with food supplements from a government nutrition program, which she distributed to families. On the way back, she and her husband carried fish to the city market, providing access to markets for Guajira fishermen. In The Colombia Project’s first contact with Gloria, she was selling tomatoes on the streets of Santa Marta to earn money to feed her family. She got her first loan of roughly $175 to buy thread to weave into bags. Her story will be covered in more detail in the Success Stories section.
Gloria is one of numerous loan recipients who qualified for regular bank loans after establishing good credit with The Colombia Project. It is extremely difficult to access services of formal financial institutions in Colombia, as in most countries, without collateral, steady income or a good credit history. However, there are banks that actually want to lend to poor people if they can find a way to reduce the risk. With a record of good payment on TCP loans, Colombia Project borrowers went on to receive bank loans to expand their businesses and to buy lots to build homes.

The first time we visited the Guatemala micro-loan program in the remote indigenous highlands, we learned that some of the most serious health problems resulted from the lack of water and the harmful effects of cooking over open fires in their homes. When we visited two years later, one of the first borrowers proudly displayed the stove inside the new house he was building. This stove looked like a backyard barbecue pit from America in the 50’s and had a chimney to remove all the smoke from the house. It used less wood than the usual stoves and only cost $150. We were told that several other families installed similar stoves.
Another loan recipient had built a tank to catch rainwater so that for nine months of the year, the girls in the family did not need to carry water from nearby streams. And in a community where even a high school education was a luxury, one of the borrowers asked about assistance in getting his son into a two-year college program.

The ripple effects of micro-loans repeatedly reach far beyond The Colombia Project’s original dual goals of helping micro-entrepreneurs and strengthening grassroots organizations.

An interesting, early-on unforeseen consequence of The Colombia Project loans was the replication of the program by a politician in Santa Marta. When the mayor learned about the micro-loan program he decided to invest city funds in a parallel loan program through the same administrator.