The Colombia Projects owes its existence to an early grant from the Congregational Church in Coral Gables, Florida. Without that $3000 in seed money, which allowed us to prove our concept, it is very doubtful we would have gotten off the ground. That grant had no strings attached. They believed in us and invested in us. The AMB foundation, which supports economic development and other initiatives for indigenous peoples of the Americas, has also provided flexible funding.

In 2010 and 2011, Rotary District grants in Miami were also quite flexible, allowing several clubs to work together to support multi-year grants of $4000 and then $10,000. We were not sure which sites would request the funds and did not have to specify that in the grants, At the conclusion of the grants, The Colombia Project provided very complete reports with loan data and photos. These types of flexible grants which did not require specifics up front regarding amounts to go to specific sites, worked well.

Rotary International Grant

Based on those good experiences, we applied for a $17,500 Rotary International grant, which required a Rotary partner in Colombia. The Club Rotario de Barranquilla Oriente (CRBO) was a very active club with an eighteen-year track record of supporting an organization called CRILAP that provided corrective surgery for children born with facial deformities. They had also recently collaborated with a Rotary club in California to bring wheel chairs to Barranquilla
and were working on a project with a club in Maine to replace a school lunch facility damaged in floods. They were interested in doing micro-loans and the idea was that they would function as The Colombia Project had done by mentoring various grassroots organizations that would be directly involved in micro-loan management. They would partner with organizations supporting families with various mental and physical challenges. This was to be the first replication of The Colombia Project.

We developed a good track record by choosing our partners well and following our model, but then fell into the common grant trap of modifying our program to conform to a grantor’s requirements. This needs to be done with extreme caution. It took us over a year to get the grant approved and that happened only after we agreed that the funds would always remain under the control of the Rotarians and that our incentive for good results be eliminated. CRBO’s grassroots partners would not have the possibility to earn 50% of the funds received after they had been invested twice. This was a huge mistake and a learning opportunity. The problem is not that the partners were not motivated to help their clients. Their intentions were good and they selected ideal candidates for the loans. We could see that on our visits with loan
recipients, but without reliable records and reports, we could not document it. Without monthly reports, we could not identify and correct problems at that were good at giving loans but neglected collecting the repayments. Without our usual incentives for good management, we had no leverage to encourage partners to adopt our method of reporting and record keeping.

The Rotarians were not interested in earnings. In addition, since CRBO in Barranquilla received all of the funds upfront, The Colombia Project and our Rotary Club in Miami had no leverage when CRBO and its partners failed to send accurate, regular reports. This was especially problematic since The Colombia Project was responsible for preparing and submitting the grant reports and the reputation of the Rotary Club of Coconut Grove was on the line.

The grant included $6,000 for administrative expenses and $11,500 for micro-loans – nearly equal to the administrative funds that would have been available if CRBO and its partners had been allowed to earn 50% of the funds after investing them twice. The bottom line was virtually the same as it would have been with our standard loan model but we now had no financial incentives for good results. Since all the funds were sent upfront, with the clock ticking on the grant, there was pressure to invest all the funds. With our successful model, partners learn with small amounts and small mistakes. By starting with just a few borrowers, the administrator has the opportunity to pay close attention and learn on those first loans. CRBO opened five sites with close to fifty borrowers within a matter of weeks allowing no time to identify, much less resolve small problems that would only grow. A strict interpretation of the Rotary requirement for Rotarians to
maintain control of the funds meant that the Rotarians had to travel to each program to receive the monthly collections. When they often could not make the trip, repayments were not collected and the idea of monthly payments was undermined.

Rotary Clubs are comprised of professionals and businessmen who are typically successful in their country. It is a delicate matter to insist they conform to standards developed in another country with no backup other than ‘we say so.’ With the lack of accurate reports, The Colombia Project did not have the information it needed to promptly identify and correct problems. Had we received the requested bank statements and reports early and regularly we could have known early on that, aside from the slow collection problems, we could not document where all the funds were.

The Rotary grant documentation required bank statements and apparently there was only one Rotarian with access to the bank records and he told us they were difficult to obtain. CRBO could tell me how much they had given to each of five sites but they did not know how much had been repaid at each site. Some of the borrowers made payments directly to the bank, which recorded only the deposit amount with no name associated. Since Colombian banks charge a fee for each deposit and withdrawal, the bank fees were adding up quickly. CRBO had a puzzle to figure out which payments were for which borrowers.

The result was inaccurate reports with previously reported amounts often changed on subsequent entries. Since Rotary was required to maintain control of the funds, the cash payments made to the five sites were held by the Rotary
treasurer. There were no controls with signatures to document fund transfers. Without bank statements and accurate reports it was impossible to document where all the Rotary International grant funds were. Outstanding loan principal, plus the bank balance, plus the cash on hand with the Rotary treasurer, less bank charges should have been equal to the $17,500 that was originally sent plus interest collected. I made numerous trips to Barranquilla during the course of the grant and requested a report prior to each visit with adequate lead-time to process the information. The report invariably arrived after I had returned home and invariably raised questions that were not answered by email.

From the report information that we did receive, it was clear that collections were weak. Since Rotarians were supposed to handle the money, repayments were received only when the Rotarians were present. Since they had families to support with their day jobs, regular visits were problematic. We raised the issue with Rotary International and were authorized to let the grassroots groups collect funds and issue new loans with CRBO oversight. Possibly they would have allowed this from the beginning but since it took us over a year to get approval with Rotary control of the funds being a required modification, we were hesitant to suggest a
loosening of this requirement.

This change to allow the partners to handle the funds presented new problems in that two of the partners were government entities whose employees could not handle money. The Colombia Project proposed a solution: form a borrowers committee to handle the loan distribution and payments with oversight by the government employees. This suggestion was rejected with no explanation. They continued to rely on CRBO members, which, at one site required a two hour round trip, with the result that visits were infrequent and repayments were slow.

Two sites were soon faltering badly. One other site was doing extremely well and then slowed down following a staffing change. On a subsequent site visit I learned they had been told to stop issuing loans while CRBO focused on addressing program issues at other sites. Had the CRBO program been structured with the usual incentives, it would have been easier to demonstrate the importance of encouraging the successful program to keep expanding, thus keeping more funds invested in loans to help people.

The Colombia Project model allows for maximum decision-making at the local level and this works very well when there are financial incentives for running an efficient program. Had CRBO only received $1500 initially, with subsequent allocations dependent upon accurate reports, high repayment rates and full investment of funds, they would have learned quickly how to run an efficient program. As it was, they implemented five sites at once with no opportunity to

5 years later, NU3 still issues loan, but the other programs have closed.
learn from small initial mistakes and no reason to pay attention to any mentoring from The Colombia Project.

The grant was completed successfully, with each dollar sent invested twice in three years, but it fell significantly short of its potential. Colombia Project partners invest funds on the average of once each year, but that is after they withdraw 50% for special projects. In reality, they are investing each remaining dollar twice per year so we would have expected the CRBO program to invest the grant funds six times rather than two. The Colombia Project partners also had community projects like a small tilapia farm, video equipment, and home repair for the indigent to show as a result of the micro-loan program. None of this happened with the Rotary International Grant project. We received notice that three of the sites are still issuing loans. There is a degree of sustainability.

Because there was a grant report involved, two members of the TCP Global team made six visits to Barranquilla in an effort to implement this grant successfully. While we likely could have included some of these costs in the grant request, we had not and it is unlikely, in any event that the grant would have paid for six visits for a three-year project. Time required to decipher loan reports from CRBO was time that was not dedicated to other projects. We remain flexible and consider deviations from our model, but we learned in Barranquilla to be very cautious about eliminating key elements of the model that contribute directly to program success.
Rotary District Grant

Rotary District grant requirements in Miami’s District 6990 changed between 2011 and 2016, now requiring a Rotary partner in the host country. District grants are usually much easier to get approved and to manage since everything is handled in the local district with no involvement from international headquarters. Even though the Rotary District grant for District 6990 now required partners in the host countries, we had CRBO in Barranquilla willing to be a partner for Colombia and the Barrillas Club available to partner on the Guatemala project and a possible Miami program, for which my own club would be the partner. We figured it was safe to apply for a district grant. All requests had to be submitted in April, for funding in October or November with all funds to be spent by June 30th. Although we had no control over when sites in Colombia, Guatemala and Miami would qualify for and request funds, we assumed (always a bad idea) that at least two of the sites would request funds during that small window, thus spending the $3,000 grant. For various reasons, loan sites in Colombia and Guatemala stopped requesting funds.

Two new sites opened with the assistance of Peace Corps Volunteers in Colombia and both needed funds towards the end of the grant implementation cycle, but due to the delays in transmitting funds to Colombia, we realized it would be impossible to invest those funds 1.5 times as...
required by the grant. For the site that opened in June, they would barely have time to invest the funds once. The other PCV site received its second round of funding in February with sufficient time to invest that portion of the grant funds 1.5 times, but we would still be short of the overall grant goal of 1.5 times for all funds.

We were not willing to pressure the partner in Guatemala to take funds they did not want, just to satisfy the grant. Instead, we decided to take a risk and open a loan program in the U.S. Over two years we had discussed the possibility of a loan program with Educate Tomorrow, an agency that mentors youth who age out of the Florida foster care system. The initial idea was to mentor a loan program with funds provided through a grant that Educate Tomorrow had received from the Children’s Trust. If that program proved successful, we would feel confident in investing our own funds as well. Unfortunately, after the Educate Tomorrow grant was approved, the funder required that the program change to something other than micro-loans. We were comfortable doing loans in the U.S. only if we had a track record to build on. Loans issued in the United States would be larger, thus requiring more resources than the typical international program and would be subject to more regulation. But the necessity of investing grant funds somewhere drove us to open a loan program with Educate Tomorrow.

Shavon La Pierre saved the grant for us. She is a Haitian-American with an online business called Enchanting Extensions. She is also a college student and the mother of a toddler. Shavon had been burned by her original hair vendor who
did a bait and switch, providing hair vastly inferior to the samples provided initially. She had come back, found a reliable distributor and structured her business in a way that eliminated risk to her customers and to herself. We could see that she had the creativity, initiative, intelligence and determination that would lead to success.

Products purchased on-line were shipped directly from China, arriving in three days, but in her presentation to TCP Global, she said that especially during prom and graduation season, she could increase her profit significantly if she had inventory on hand to provide same day delivery. Shavon received that last $1,000 in Rotary District grant funds that we needed to invest and repaid her loan in full within a month, making $400 in profit on that inventory. The repayments were invested in two more loans, thus allowing TCP Global and the Rotary Club of Coconut Grove to complete the Rotary District grant successfully. Shavon is now on a committee of Educate Tomorrow mentees working to expand the Educate Tomorrow loan program.

The take-away from this experience for TCP Global was that we would never again put ourselves in the position where we might need to pressure a micro-loan site to do something for any reason other than what is best for the micro-loan site. We did not want pressure from a granting entity to cloud our judgment in mentoring our loan administrators.

We also recognized that the grant forced us to take a risk and open a program we might not otherwise have opened.