THE UPSIDE DOWN PHILOSOPHY

In a workplace environment, common practice is to support management. Making the boss look good is a virtue. Employees do whatever they can to lighten the burden of those above. Delegating tasks is considered effective management.

When it comes to helping marginalized peoples, forget all of that. Or better yet, just embrace the opposite. The philosophy of TCP Global is that at each level, we do what we can to relieve the burden on those below us in the management pyramid.

Our focus, energy and effort are geared towards supporting the loan recipients and those closest to them. If they do well, we all do well. That is our Trickle Up philosophy.

It is mutually beneficial to focus on assisting the borrowers. If the loan recipients do well, the grassroots partner
earns funds for special projects. If loan recipients do well, they increase their
capacity to implement the grassroots partner’s mission of education, health,
empowerment, environmental protection, etc. If the loan recipients do well, TCP
Global has the ability to grow by attracting new donors and grant support as well
as new implementation partners. If the loan recipients do well, their communities
gain from the increased economic activity.

There is this myth that the wisdom and stress congregate at the top. Yes, *the
poor are poor, but they have a carefree, simple life.* On my second trip to Haiti in
2007, the light bulbs lit up in my head and I realized that Haitians must surely
have the strongest gene pool on the planet. They need to be resourceful,
energetic and determined to make it through the day. They need to maintain a
good attitude and meet each new challenge head on. Most of us would not last a
day facing their constant challenges and we certainly would not be so good-
natured about it.

In varying degrees, the same can be said for people in impoverished
communities around the world who find a way to survive on under $5, $3 or even
$1 per day. They get by without electricity, without running water or sanitation,
without transportation infrastructure or health care. Some manage to not only
survive, but despite the many disappointments of their yesterdays, they maintain
the belief that tomorrow will be better if they only keep striving. That sounds
stressful to me. It also seems that it requires great wisdom, fortitude and a good
attitude to keep working for that elusive brighter tomorrow.
Ultimately, we would like to help everyone living in extreme poverty, but we begin by reaching out to those who demonstrate the highest potential to begin the shift from poverty to a sustainable higher quality of life. These people will establish a foundation and provide an example for others to follow.

When developed countries send funds to undeveloped countries there are typically expectations as to what these funds will achieve over a set time frame. This practice does not always have favorable results because the expectations are established by teams of people that are not engaged with the receiving communities and therefore are not well aware of the needs and capabilities of the recipients.

TCP Global has a different approach. We find grassroots partners who are working closely with their constituents, are willing to take on extra work if it means opening a window of opportunity for others and are often living in conditions similar to those they are helping. For example, in Guatemala, the Village Health Promoters that manage the micro-loan programs face the same challenges from lack of services as the rest of the community. Many administrators are unpaid volunteers working under stressful conditions with unreliable internet connections and intermittent electricity. Sending reports on time, or sending them at all is a challenge.

Our initial reporting requirements were too complex and unrealistic. Loan administrators are rightfully concerned only with the activity on open loans. Our needs back in the U.S. should not create additional work at the grassroots level. They have far too many crises to handle to worry about the big picture on the
micro-loans. That is clearly something that can be better handled by the support network in the U.S.

Thanks to a Canadian-Colombian computer engineer, we have partially automated the loan tracking process, but there are data formatting requirements (e.g. no blank lines, no lines with two types of financial information, and certain cells must have names defined in Excel, etc.) Everything that was on the last line on the previous report must be exactly the same. It would be a very frustrating experience to try to get all the administrators to adhere to these guidelines. Instead, TCP Global maintains a copy of their daily log with all the correct cell names. When a new report comes in from the partner it is cut and pasted onto the TCP Global version, then all blank lines are removed and blank dates are filled in and the report is prepared for automatic update. *Any task that can be more efficiently performed at a higher level should be performed at the higher level.*

Why? Because as Bobby Kennedy used to say “Those to whom much is given, much is expected.” If we are lucky enough to be on the top of the pyramid, in an air-conditioned room, sipping a glass of wine while trying to decipher a report, we should be happy to do the extra work entailed in getting the information right rather than putting the burden on that loan administrator who already went out on a limb to take on extra tasks to help people in extreme poverty who are trying to keep their kids in school and family fed. Our challenges are small compared to theirs. The loan administrators are taking a personal risk by handing out funds to very poor people. TCP Global does not hold them personally responsible if the
loans go bad, but they feel that responsibility nevertheless. They put pressure on themselves. They go out and knock on doors to collect money, which no one likes to do. Mentoring, encouraging and supporting these programs from the comfort of our homes is Peace-Corps-lite. We can help people at the grassroots from a distance while enjoying all the comforts of home.

As a Peace Corps Volunteer, I knew that Peace Corps staff was there to support me. That is how TCP Global operates as well. We choose good partners and then support them as long as they get good results. Our partners in turn, find good loan candidates and support them as long as they get good results.
NO COOKIE CUTTER PROGRAMS

…The program in Santa Marta to mentor impoverished scholars through college was vastly different from the Genova program to help former coffee producers develop alternative livelihoods after global warming decimated coffee production. Programs in small communities where everyone was acquainted had fewer challenges than programs in displaced settlements on the outskirts of large cities. Some programs have links to mentors at local universities or programs like the Colombian Vocational Training program, SENA. Others must develop their own trainings. Some already have a repertoire of training materials.

Ideally, borrowers can repay their loans by simply walking to the office of the grassroots organization and paying their monthly quota as soon as they have the funds. In large cities, that is not possible, nor in the indigenous highlands of Guatemala where a staff member from the Casa Colibri Clinic must make the trip by car to some of the smaller villages where borrowers live.

While most programs charge interest, it is against the religion of the Muslim borrowers in Niger to charge interest. A cookie cutter approach is not appropriate.

Administrators also resisted attempts at standardizing loan sites. All of our sites were in Colombia when this issue was resolved. There were ten sites at that time, with six administered by nuns and four by very strong women. Many of them voiced their objections to losing any flexibility or independence. They preferred our flexible, results-oriented model: as long as they maintained a good
repayment rate on small business loans to those on the lowest economic level they would qualify for expansion funds. They didn’t want to be restricted by group consensus or a program designed in Miami. They wanted to be free to use their own creativity in designing a program that best met the needs of their community.

This flexible approach would surely not work everywhere, but it works great for the TCP Global model. We are fortunate in that our structure self-selects partners who are willing to go the extra mile for their clients. These are highly motivated as well as highly effective individuals and anything we might do to stifle their creativity would limit the potential of the program.

Had I paid closer attention to the clinical economics theories in Jeffrey Sach’s book, “The End of Poverty” I would have recognized earlier that communities, like patients (Jeffrey Sachs’ wife is a doctor) are complex systems, requiring individual diagnosis and treatments. A successful cure for poverty, like a human ailment, requires an understanding of context, and it requires monitoring and evaluation. The solution for community A is not necessarily the best solution for community B.

THE POOR DESERVE MULTIPLE FINANCIAL SERVICES
A few years ago, a fellow panelist followed my Colombia Project presentation by saying that while he had worked extensively with micro-loans in the past, he now realized that the Village Savings and Loan (VSL) model of lending from the pooled savings of group members was the only effective way to help people move out of poverty. Micro-loan programs like The Colombia Project – TCP Global simply were not effective. It was all explained in his new book, available at the conference.

First off, I decided not to buy his book. Secondly, I recognized that his communal bank concept had merit. I even briefly lamented that The Colombia Project had not started with a village banking model.

And then I pondered why it is that the poor should be offered only one option. In the developed world, we are not asked to select only one financial tool: a checking account, savings account, mortgage, credit card, or car loan? If we have multiple financial options to support those of us who are relatively well off, why shouldn’t those at the bottom of the economic ladder have multiple options?

It is a challenge to climb out of poverty for those who are living on less than $5.00 or $1.00 per day. For those living in population centers there may be multiple support systems, but for those in very small and remote sites, options are limited. Daily lenders charging usurious rates seem to be everywhere. Muhammad Yunus started his Grameen Bank in Bangladesh twenty years ago as an alternative to interest rates that were so high as to make it impossible for impoverished entrepreneurs to get ahead. I observed this issue in the Romany communities in Slovakia twenty years ago and they are prevalent in Colombia.
There is a role for daily lenders as well, but one that is best reserved for true emergencies. Since daily lenders take on considerably more risk than banks, they are justified in charging higher interest rates but not the 10% per day reportedly charged in some places. Marginalized populations need viable alternatives to predatory lenders who sometimes resort to physical violence if loans are not repaid. The leader of an ASHOKA-supported micro-loan program in Barranquilla told us of loan programs that conscripted sons as boy soldiers when the parents failed to pay back a loan. The poor deal with threats that are difficult to imagine.

In small Colombian communities, and in the Muhammad Yunus narrative of how the Grameen Bank got started, borrowing from the daily lender is a daily occurrence, with the interest consistently absorbing most of the yield from the day’s labor. The Colombia Project-TCP Global diverts a fraction of the revenue stream from the daily lenders to a grassroots organization and significantly lowers the interest rate so that the entrepreneur can begin to build for the future.

TCP Global works best in small communities where everyone knows each other. This is the type of community where communal banks also thrive. I believe savings programs are helpful and possibly even essential for the climb out of poverty. There is opportunity for both savings-based lending groups, which restrict both the size and frequency of loans as well as room for micro-lending programs, which can support larger loans and repeat loans.

During the short life of our Cartagena program, APRODEFA-Cartagena offered both Colombia Project micro-loans and a savings bank that was modeled on a
program from Venezuela. The programs were complementary. The Colombia Project loans were strictly for business while the savings banks offered a mechanism for saving money and also provided funds for things like home repairs, medical emergencies, funerals, weddings, quincenas, etc. Frequently a borrower would access funds in the savings account to pay a micro-loan debt on time.

It is easy to come to the conclusion that the developing world is saturated with Micro-Finance Institutions and nothing more is needed. The number of micro-loans issued annually is staggering. There is still much work to be done in terms of effectively bringing financial services to the world’s poor.

A quick GOOGLE search reveals that micro-loans are usually short-term and can be for up to $50,000. At the Micro-Credit Summit in Colombia in 2009, Micro-Finance Transparency presented charts showing the percentage of the loan amount needed to cover overhead on the loan. For those at the lowest end, in the under $500 range, the percentage was over 100%, meaning that it could cost more than $500 to process and manage a $500 loan. For MFI’s that needed to generate revenue through the loan process to cover salaries and other overhead, clearly the larger loans are more attractive. The larger loans also require some type of loan guarantee or collateral.

A multi-tiered offering of micro-loan services that would facilitate progress from the informal to the formal economy looks to be a viable solution. This chart is prepared with the developing rather than the developed world in mind. In the U.S., for example, a micro-loan can be up to $50,000. The following chart is an
example of what the progression of financial resources might look like in a marginalized community. Amounts vary significantly by region and country. The shaded cells are for financial instruments available in the informal and typically unregulated sector.

<table>
<thead>
<tr>
<th>Resource</th>
<th>Loan Purpose</th>
<th>Duration</th>
<th>Amounts</th>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily Lenders, Family &amp; Friends</td>
<td>Emergency</td>
<td>&lt; 2 months</td>
<td>Small</td>
<td>None</td>
</tr>
<tr>
<td>Village Savings &amp; Loan (VSL)</td>
<td>All types</td>
<td>&lt; 6 months</td>
<td>$5-$100</td>
<td>Savings</td>
</tr>
<tr>
<td>TCP Global</td>
<td>Small business</td>
<td>4-12 months</td>
<td>$100-$500</td>
<td>Business plan</td>
</tr>
<tr>
<td>Micro Finance Institutions (MFI)</td>
<td>Small business</td>
<td>1 year +</td>
<td>$500-$5000</td>
<td>Collateral, co-signer and/or credit history</td>
</tr>
<tr>
<td>Banks</td>
<td>Established business and/or experience</td>
<td>Multiple years</td>
<td>$5000 +</td>
<td>Collateral, co-signer and/or credit history</td>
</tr>
</tbody>
</table>

For more information on VSLs, there is an excellent report entitled Village Savings and Loans: A Pathway to Financial Inclusion for Africa’s poorest Households by Lauren Hendricks of CARE USA, which was presented at the 2011 Micro-Credit Summit in Spain.

For more information on interest rates and overhead costs see the June, 2013 Access To Finance FoRuM Reports by the Consultive Group to Assist the Poor (CGAP) and its Partners, entitled
ATTITUDE

Whether your role in micro-loans involves adding new mentors, or choosing new grassroots partners or screening loan applicants, it is essential to select excellent candidates and treat them with the respect your initial selection indicated they deserved. If you have succeeded in your endeavor to select entrepreneurial people, they will flourish as you empower them to achieve their potential. They will surprise you with added value beyond your expectations.

Colombia Project partners helped us see the value of charging interest when we were stuck on fostering dependency. The borrowers told our partner in Popayan that they were small businessmen in a country that unfortunately only lent money to the rich. They asked to be treated like businessmen, probably realizing long before we did that real loans with interest would be the first step towards opening the doors of the formal financial sector.

Especially in this case, of trying to help people from afar, TCP Global and its U.S.-based mentors realize that the people on site are the ones with the information needed to make good judgments. As long as the administrators understand the key concepts (if you do well with the funds we send, we will continue to support expansion of your program), trust their judgment. If you identify potential problems, ask questions to help them recognize and correct the
problems. It is a fine line that mentors must walk to help loan sites reach their potential without second-guessing the people on the front lines.

Anyone who has spent time in communities of extreme poverty quickly learns that it is primarily lack of opportunity that breeds poverty, not lack of initiative, or intelligence or work ethic. Chris Temple, Zach Ingrasci, Ryan Christoffersen and Sean Leonard filmed their eight week experiment in “Living on a Dollar a Day” in Guatemala through which they learned about the life-skills that enable the poor to cope with circumstances that would defeat most of us. These college students survived, but only because they allowed themselves a backup for emergencies, a lifeline that people really living on one dollar a day do not enjoy.

In his books and in remarks made at Micro-Credit Summits, Muhammad Yunus exemplifies a respectful and empowering attitude toward the poor. If they falter on loan repayments, he works with them to find and correct the cause. The result has been health insurance and low-cost loans for homes and education, as well as savings programs, providing the poor a portion of the safety net that people in the developed world enjoy.

We need to be aware that we simply cannot pull anyone out of poverty—it does not work. We do not fully understand the problem or the potential solutions. What we can do is give them the tools so they can make their own way.

At the TCP Global micro-loan site in Guatemala, villagers are using their earnings to provide healthy infrastructure in their community and they continue to invest in education. Since they implement these improvements on their own, with
still limited resources, they provide a replicable example for others in their community – and that is incredibly meaningful.

This is not intended to minimize the valuable contribution of international grants, which are essential for bringing roads, water, hospitals and more. But while we are pouring major funds in through a top-down initiative, we should not miss the opportunity to unleash the power of the countries’ most valuable natural resources – their human resources.

Find good mentors, find effective grassroots organizations and find the entrepreneurial poor. Empower them with the resources they need to flourish. Then get out of their way. Continue to support them as long as they get good results. If they begin to flounder, work with them to identify and correct the cause. If you chose wisely, the mentor, organization or borrower is likely not the source of the problem but will be an important part of the solution.

Attitudes always have a way of coming through. If you believe that because we enjoy some measure of success that we are smarter with a better work ethic than those we are trying to help, it will show. If you believe some personal deficiency causes them to be poor and wonder what they did wrong when things go wrong, it will show. The TCP Global model is based on trust. Treat others as equals, each of whom brings something of different but equal value to the table.

What upsets this equation, of course, is a change in leadership. In Colombia, when Sister Ruby, who started the program in Genova, was transferred, someone replaced her who had less knowledge of and trust in the community.
What enabled Genova to survive six leadership changes in ten years was a strong citizen committee that preserved Sister Ruby’s empowering and trusting attitude towards the borrowers.
TRAINING - BE MINDFUL OF THEIR TIME

Do not fall into the trap of thinking that just because someone does not have a steady job, or just because they do not hold a position of importance in the community means they have lots of time on their hands. With the best of intentions, non-profits may offer or even require training programs, with the idea that these additional trainings increase the likelihood of success.

There are several factors to consider. Does the borrower already have a successful business that just needs expansion or are they struggling to figure it out? Do the trainers have real world experience or primarily academic knowledge of the topic they are teaching? Is there a realistic opportunity for developing an on-going support network through this training, either with the teacher or with the other attendees? Will the training be optional or mandatory? Is there an opportunity for the participants to learn from each other?

I became aware of this issue while visiting the home of a loan recipient in Sabanagrande, Colombia. She prepared and sold lunches from her home while caring for a severely handicapped adult daughter who could not sit up or tend to any bodily functions. The daughter was clean and well groomed with a smile on her face. It was clear her mother was taking excellent care of her but it was also clear the mother was unable to leave the home for more than brief periods, not even to work. The micro-loan enabled her to work out of her home. While there were excellent trainings available through a program of the Colombian government, this woman simply could not commit to attend. There are hundreds of similar stories of people trying to juggle family responsibilities with the need to
earn a living. Fortunately in this case, her inability to attend the trainings was not an impediment to receiving a loan.

A friend tells an amusing story from his Peace Corps service. He worked at a jail where prisoner's families were given food donated by CARE. Some well-intentioned people at the jail incorrectly assumed the families did not understand how to make good use of the flour, bulgar and powdered milk. They brought in young ladies in fancy dresses and high heeled shoes to demonstrate how to best use the ingredients. None of the young ladies seemed familiar with a kitchen much less the ingredients. Nevertheless they tried to follow recipes they had been given and succeeded only in amusing the families and creating a huge mess. It makes a funny story, but it is not funny when we waste time for people who already have too much on their plates.

One of the easiest things an international organization can do to justify its existence is to provide trainings. This is wonderful when the trainings are truly needed and truly effective, but too often I fear they fall short of the mark. In considering a training program, be very careful to make sure the primary beneficiaries are the people served rather than the organization providing the service.

THE BALL IS ALWAYS IN YOUR COURT
No matter what your role in implementing a micro-loan program, just assume the ball is always in your court and that it is your responsibility to ensure progress towards the goal. You are more than just the conductor. If there is something that needs to be done, see what you can do to make that happen. If you delegate a task, never assume it will be done. Follow up to verify. Take the initiative when you have the ability to complete a task and ask the right questions, sometimes more than once, when you would like someone else to take action.

In development work, conventional wisdom suggests delegation of tasks to those closest to service-delivery. The capacity-building theory is that the knowledge and skills transferred make them stronger. Helping them take full ownership of a program prepares them for an independent future. This is all valid, but we need to be careful about applying this logic too broadly.

Most of the learning curve for the grassroots partner involves the application, approval and management of the loans including trainings for loan recipients and collection of outstanding loans. Until there is a delinquency problem, any bumps on the learning curve will be handled by the partner usually without the knowledge of the mentor or TCP Global or anyone up the line. We can be sure they are learning plenty. And since the TCP Global micro-loan model is designed to be an add-on for an existing anti-poverty tool kit, micro-loan management is integrated into what is generally already a full workload. The easier we can make it on the grassroots partner and the more we can do to help them streamline the program, the better the odds for creating a sustainable program.
Important issues that do not appear on the radar of the grassroots partner are things like additional funding, reporting, safety and security, write-off for bad debt and withdrawal of funds for projects.

Because the TCP Global model primarily attracts the types of partners who are more accustomed to serving and giving than receiving, we must often encourage them to accept each stage of assistance. This sets them apart from the so-called ‘savvy’ non-profits who have developed ways to maximize international money flows in their direction. TCP Global partners are often reluctant to accept funds for fear they will not manage them well and might not meet expectations.

On more than one occasion we had to reassure loan administrators they would not be held personally responsible if loans were not repaid. Nevertheless, they often feel that level of responsibility. They repeatedly express their gratitude once the program is up and running, but they are still slow to ask for more funds.

Initially we assumed that sharing the criteria with them (total value of loans issued is twice the amount of funds sent and repayment rate of at least 95%) and letting them know when they qualified would be enough. Not true, we often have to directly ask them if they would like more funds to expand the program. They are not greedy and they are used to making do with minimal resources.

Running the loan program could easily become onerous and result in burnout if there is nothing to keep the partners motivated. Grassroots organizations that are effectively engaged in improving marginalized communities typically have a laundry list of things they would like to do for the community if they only had the funds. The mentor can provide valuable assistance by helping the partner select
one of these community projects to implement with micro-loan earnings. It took considerable negotiation with early Colombia Project partners who thought withdrawals for community projects would deprive poor entrepreneurs of loan funds. They had to be reassured that we would send additional funds to keep the loan pool at the same level. To keep the loan pool steady, it is best to coordinate withdrawal of earnings with the arrival of new funds.

There is also an education process required here since the partners are not accustomed to earnings and tend to think of the funds for community projects as a gift. This is an important distinction that needs to be made for several reasons.

- First, it empowers the organization to realize they have earning potential.
- Secondly, they begin to understand the benefits the extra labor of micro-loan management provides to their organization.
- Third, it serves as a reminder that the TCP Global micro-loan process only provides funds for micro-loans and helps avoid expectations for other types of monetary assistance that would most likely lead to disappointment.

Delinquency will eventually raise its ugly head. There are suggestions you can make to the loan administrators to minimize delinquency. Most loan programs start out great since they begin with the best candidates. Ideally loans are offered to an ever-widening circle of borrowers but that increases the risk.

Lastly, the mentor can help the loan administrator avoid the trap of doing everything on his or her own. While it may seem simpler and safer at first, in the
long run, the program will benefit from the transparency, sharing of the workload and added stability that an active loan management committee can provide. It is not always possible when the loan recipients are spread out over a wide area, but in communities that meet regularly or which are concentrated in a geographic area, it is highly desirable.

DON’T LET THE PERFECT BE THE ENEMY OF THE GOOD

There is no perfect micro-loan site, no perfect loan administrator, no perfect mentor, and no perfect strategy for helping people improve their lives. We will never get it completely right. But if we wait for a perfect solution to any problem, we will miss golden opportunities to make progress.

At the opposite end of that train of thought, it is equally true that the road to hell is paved with good intentions. If we really want to help people improve their lives, good intentions and hard work and a generous spirit are not enough. We must also take the time to understand the root cause and anticipate the ripple effects of what we do so that we minimize the chances for doing harm.

The biggest frustrations and biggest disappointments often come from those closest to us, largely because our expectations are so high. High expectations are good, but when they are not met, it is important to step back and acknowledge what has been and still can be achieved rather than dwell on the unattainable. When you are in the trenches working for positive change in the
world, as differences arise, remember that the enemy is the cycle of poverty, not the people beside you in the trenches. Make room for differences.