Master's in International Care and Community Development: Thesis Project

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Ten Talents: The Role of Church-Based Programs in the Microfinance Industry

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Abstract: This article provides the rational for Christian microfinance as a development strategy that works with the inherent capabilities of the poor and their communities instead of facilitating unhealthy dependency. Microfinance programs are valuable additions to mission programs as they can strengthen local churches. The best way to achieve a program that combines financial services and spiritual development is for local churches to partner with microfinance institutions. This article explains what such partnerships can look like and argues that programs like this need to gain more support from church-based missions programs in order to succeed and thrive.

In the parable of the talents, Jesus depicted a master that praised two servants who were entrusted with money and used it wisely to make more. He rebuked a third servant who hid his talent in the ground, squandering it. Like the master in the parable, God also entrusts his servants with money and expects them to use it wisely. Billions of dollars yearly are invested in charitable work and Christians play a significant role with their tithes and offerings. When we devote money to missions or development work, how can we emulate the wise servants in the parable? The buried talent was not abused or misplaced, but it also never caused any significant change. Often, when we give our money without a viable strategy, we get the same result—the money is spent on activities that simply aren't helping. It may as well be buried. Instead, we need to think like the first two servants—we need to expect a return on our investment.

I've recently become involved in a very literal application of this principle: instead of giving away money to help the poor, I loan it to them. I expect them to pay it back. With interest. Two and a half years ago a friend introduced me to the concept of microcredit, which involves giving small loans to poor entrepreneurs so that they can build and expand their businesses. It falls under the umbrella of microfinance—financial services designed specifically for the poor. With support and encouragement from his church mission board, my friend and I founded a nonprofit called Give to Grow International, which is now developing a church-based microcredit program in the Philippines. I have been involved with microfinance for only a short time and the learning curve has been steep. In fact, if I had read the following words of microcredit veterans Russell Mask and Benjamin Borger at the beginning of my endeavors, I may have been afraid to start: “many of the new practitioners, particularly... are not aware of the simple fact that there have been many more MED [microenterprise development] program failures than successes” (2008: 475). However, I am glad that I went forward into this field. What I have since learned has convinced me that despite the challenges, the world needs more microcredit practitioners. And the world especially needs more Christian churches that are willing to embrace this emerging field.

Microfinance has been gaining popularity as a poverty alleviation tool since its inception in the early 1970s. David R Befus wrote that “governments of most countries support micro credit as a development strategy. It is one policy that generally has support from politicians on opposite sides of the ideological spectrum” (1999: 89). The most well-known microfinance institution (MFI) is the Nobel-Peace-Prize-winning Grameen Bank, but ACCION and a Christian organization called Opportunity International also began offering financial services to the poor at roughly the same time as Grameen. The foundation for all microfinance activities is the belief that the poor are bankable and have as much a right to financial services as the wealthy. Muhammad Yunus, the founder of Grameen, was the first to really promote this view. He began loaning money to poor women in Bangladesh and found that they repaid at astonishing rates, even though they had nothing to offer as collateral. Grameen, and many MFIs that came after it, require borrowers to belong to a loan group and use a group guarantee instead of collateral to facilitate loan repayment.

Microfinance, which has since been expanded to include other services for the poor like savings and insurance, is a popular development tool because it has a proven track record of improving businesses and increasing the income of their owners. Giving the poor access to financial services significantly reduces their vulnerability. The poor are able to obtain small amounts of money, but this is quickly spent on day-to-day needs. Makonen Getu described their situation, writing, “The poor suffer from having little or no uncommitted money. They have too little surplus income to improve their businesses and/or household economies” (2000: 153). Their inability to accumulate lump sums of money is a significant barrier to any real economic improvement. By offering them a way to get a loan or a safe way to save, microfinance provides the poor with the first step to improving their situations. Getu noted that “they borrow and borrow with ‘shame’ and ‘pain’ on their faces to meet their business and consumption needs” (2000: 153). But with microfinance, instead of begging for help from their family members and neighbors, they are treated as respected members of the business community.

An MFI is a unique sort of development agency that has the potential to sustain itself financially by interest generated through loans. In reference to its millennium development goals, The United Nations recently identified microfinance as a successful means to eliminate extreme poverty and hunger. Though certainly not a cure-all for poverty, microfinance is an important and necessary tool. A World Bank estimate found that there are about 500 million impoverished entrepreneurs that would benefit from small loans, but that the current worldwide microcredit industry has a capacity of about 30 million (Mugabi 2003: 150). To serve this large amount of "unreached" microcredit recipients, either the current successful microfinance institutions (MFIs) need to greatly expand their capacities or new MFIs need to be created to meet specific needs. Probably both of these scenarios would be ideal.

Even from the very beginning with Opportunity International, Christian organizations have been involved in the microfinance trend, many of them partnering with local churches in order to provide a blend of financial services and spiritual support. David Bussau wrote, "microenterprise is valued by most Christian development organizations as an effective marketplace ministry that proclaims the power of the gospel, builds the local church, and empowers laity to demonstrate the love of Christ to the poor. It also provides needed assistance to the persecuted church," (2000: 68). These efforts prove that financial services and spiritual development need not remain in separate realms, but can be combined in innovative ways, enriching the mission field and local churches. The Christian approach to microfinance faces unique challenges, but also makes an important contribution to the industry. Christian microenterprise development (CMED) would make a powerful addition to church mission programs and needs to gain more widespread support.

Why Churches Should Care

Many Christians support a holistic vision of missions work. Holistic ministry addresses both spiritual and physical needs and may combine evangelism with development or aid work. Unfortunately, these attempts to address people's physical (and especially financial) needs often do more harm than good. Befus cited studies on the "gift/donation approach to economic activity," the results being that "the underlying businesses funded are generally not viable," "the donation is not valued," and, "the lack of discipline creates great incentives for fraud and mismanagement" (1999: 87). Funding businesses through traditional charity often fails because it is not a marketplace strategy—people view it is a gift rather than an investment and are less likely to put it to productive use. Many projects conducted with the charity mentality of simply giving away money, goods, or services at best do little towards long-term development. At worst, they facilitate unhealthy dependency.

Joseph E. Richter, the Executive Director of FARMS International, called dependency "a path of least resistance" (1999: para 18). It is easier to give away money or services without thinking about the long-term effects on the community, but it is also irresponsible. Charity projects allow Christians to feel like they are helping. However, they often lack the planning and research necessary to facilitate sustainable change, usually because they do little to empower the local community and instead make them dependent on the help of outsiders. If or when the services are withdrawn, the community is left without the capacity to maintain any good that was gained. In Richter's view, many well-meaning missions projects are actually facilitating dependency.

Richter referenced the second chapter of James when he wrote,

> as Christian missionaries or agencies we '*despise the poor*' and become '*judges of evil thoughts*' when we view the poor as deficient human beings, needing our goods, our support, our supervision, and our money, to make them whole! Our despising the poor, coupled with our own sinful pride, is often at the root of the problem of dependency. (1999: para 27)

Richter implied that dependency may be rooted in pride, which is a more serious problem than lazy charity. This view is similar to that of Bryant Myers who insisted that "the poor suffer from marred identities and the belief that they have no meaningful vocation other than serving the powerful." This problem is exacerbated by the non-poor who "suffer from the temptation to play god in the lives of the poor, and believe that what they have in terms of money, knowledge, and position is the result of their own cleverness or the right of their group"

(2005: 14- 15). Myers mentions that development practitioners are no less guilty of this attitude. In light of the great harm that can be done, development practitioners and those that fund their endeavors must develop the humility to realize that they do not have all the answers. They must first view the poor as capable and intelligent human beings or their efforts will never cause any lasting change. Richter believes that microfinance--an industry built on the belief that the poor are inherently productive and deserve respect—is a fitting solution to the problem of dependency.

Because it has more of a lasting effect than traditional charity, microfinance is also an excellent tool to strengthen local churches. Makonen Getu and Ken Appenteng Mensah wrote, “In its power to create employment and generate wealth, CMED is theoretically capable of directly and indirectly contributing to the economic and organizational strength of the local church” (2003: 179). Participation in microfinance programs can help church members develop occupational skills and financial discipline. Additionally, church-based MFIs can be important outreach efforts by creating a favorable impression of Christianity and by offering loans to people outside of the church. This contribution can also be indirect, generally creating wealth in the community, which filters into the church.

In order to simultaneously develop a community on both an economic and a spiritual level, Richter recommended that a microfinance plan be included in church planting efforts. A loan program would help the poor within the church, and would also be useful as a “tentmaking” strategy, that is, a way to help pastors support themselves financially without relying on their churches for salaries. This strengthens the church by improving the economic situation of its members and putting them in a better position to tithe, or donate their time and resources.

What Churches Can Bring to the Industry

The widespread success of microfinance programs is encouraging local churches and small organizations into the field. This is useful in extending the reach of microfinance as Christians are already active in many of the impoverished countries and communities that would benefit from it. Befus wrote that “unlike many churches, other organizations that promote loan programs do not have ways to access community groups, build on existing educational and health services, or combine financial services with other community programs” (1999: 87). Churches are already well-integrated in their communities. A financial program based at a church would not need to start from scratch, but could tap into existing connections and resources. Some of these churches may also have denominational ties or connections with mission organizations or Christian nongovernmental organizations (NGOs). This makes them part of regional or even worldwide networks of support that help give them access to the resources and knowledge necessary to start a new program.

However, church-based programs may struggle to find their place in a development industry that is largely secular and dominated by large NGOs and governmental programs. Secular programs do good work in that they seek the overall well-being of the world's most vulnerable; however, from a Christian perspective, they are missing a crucial element. "It is time that spiritual issues are included on the development agenda," wrote Getu. "In view of the critical place that spiritual factors hold in people's lives, it is important that organizations recognize that investment in spiritual transformation is part of national development" (2000: 156). He pointed out that as large organizations and governments try to comprehensively improve people's lives, they are often blatantly bypassing the spiritual. The Christian approach, though important, is often downplayed as it rejects some of the prevailing industry trends.

The secular industry favors large, well-established organizations, which are much more easily financially sustained by interest or fees. Some MFIs even function as for-profit banks rather than nonprofit organizations. Bussau wrote that many organizations are seeking funding from large, secular donors and commercial sources rather than grants. Kenneth MacHarg and Joshua Hopping pointed out that government money is also increasingly available, but it "usually carries restrictions against evangelism and other religious activity" (2002: 33). They added that as programs grow larger, organizations may find it harder to employ Christian staff, making evangelism less likely.

Some of these changes are good in that they ensure that there will be sufficient money to sustain the industry and give the poor the consistent access to financial services that they need. However, these trends can also hurt programs that try to provide more for their clients than just the basic financial services, especially those that are concerned with spiritual development. The push for sustainability may also push an organization's board of directors to become more concerned with its budget than with its mission. Bussau wrote of the microfinance industry, "the strong emphasis on efficiency introduces a minimalist position that makes effective project officer-client relationships difficult and may force implementing partners to eliminate the very support services that are necessary to meaningful client transformation," (2000: 68). The relationship between client and loan officer is important to the success of the microcredit program. In the prevailing cost-cutting model, cultivating this relationship could be deemed "inefficient," as will other relational emphases and many support services. Training, active client support, and spiritual development seem extraneous in such an environment because they do not generate a financial return.

Christian programs actively emphasize these additional program aspects. Thus, in the realm of efficiency, the Christian approach goes against the industry trend to aggressively streamline. However, even from a secular perspective, lean, finance-only programs are not always desirable. Support services are not merely "extras," but actually help facilitate healthy loan programs. Befus wrote that "many business problems are actually symptomatic of spiritual problems, and in this regard the church context provides full services, with counselors and prayer, as well as administrative and technical assistance"(1999: 82). Church programs, then, might be the only ones that are truly working holistically as they can seek development through peer support, prayer, financial services, spiritual instruction, and vocational training simultaneously. Befus summed it up well, writing "A great advantage of church-related programs is that financial services can be integrated with other development interventions as part of a *total package* to address the needs of a poor community [emphasis added]," (1999: 87).

Bussau called Christian microfinance, "microfinance plus" and stated that

> the extra dimensions of evangelism and discipleship brings with it a cost. It is critical to appreciate that this cost needs to be covered by the implementing organization. It is impossible to expect that the clients will pay for the cost of their own evangelization through high interests on their loans. For microenterprise to be an effective tool for sharing the gospel, it is necessary then to distinguish between the standards of the prevailing secular paradigm and the hybrid Christian model which operates on biblical principles. (2000: 69)

His point is that additional services are expensive and cannot be paid for if Christian microfinance programs try to follow a strictly secular model. Therefore, although Christian churches and organizations can participate in the microfinance industry, their programs must take a different form than those of their secular counterparts.

What Church-Based Microfinance Looks Like

Local churches in developing nations can be used as conduits for microfinance programs. The Chalmers Center at Covenant College is a Christian organization that promotes and supports microfinance activities for local churches. Brian Fikkert of the Chalmers Center identified three different strategic approaches for churches that want to get involved in microfinance: directly providing microfinance services; promoting simple, informal strategies; or partnering with existing MFIs. Fikkert does not recommend the first strategy, as such programs are difficult to conduct. Churches are not intended to operate like banks, nor do they have the infrastructure to do so. Much training and program development would be necessary for a church to develop a viable loan program. Additionally, church programs are usually highly subsidized and are less likely to achieve sustainability, and programs easily collapse when the church no longer supports them.

There are, however, some simple grassroots microfinance strategies that churches or community groups can use without experiencing many of the pitfalls of a more complicated program. These could also be implemented without much or any support from outside agencies. Mask and Borger wrote that "it is very rare for a local church to be able to establish a credit-led microfinance program that will collect its loans and even remotely approach being sustainable" (2008: 483). Therefore, the Chalmers Center recommends that church-run programs primarily emphasize savings instead of credit. One common strategy is to form Rotating Savings and Credit Associations (ROSCAs). ROSCAs are small groups of people that commit to meeting regularly for a certain amount of time. At each meeting, the group decides on an amount of money that every member will contribute towards a prize. Members take turns receiving the prize until everyone has won. Then the group may disband or begin the cycle again.

Accumulating Savings and Credit Associations (ASCAs) are similar to ROSCAs, but are more complex and have no fixed time period. Members pool their savings, often contributing a required weekly amount. Then the group may decide to issue loans to members at an interest rate that the group agrees upon. ROSCAs and ASCAs provide ways for people who do not make a lot of money to save up and acquire larger sums in order to invest in their businesses, to make large purchases, or simply to save for emergencies.

Both ROSCAs and ASCAs can work well within a church setting where people already know and trust each other. The Chalmers Center does quite a bit of work with promoting these strategies and training churches to conduct them efficiently. However, churches that want to utilize a more formal loan program would probably do best with Fikkert's third strategy—some sort of church partnership with an MFI.

There is a balance to be found in achieving such a partnership, as many Christians are not accustomed to blending the financial with the spiritual. "MFIs often complain that the message of grace that dominates churches and missionaries works against holding people accountable for loan repayment," Fikkert wrote. "Churches and missionaries, on the other hand, often complain that MFIs seem too concerned about money and are not sufficiently concerned about people's spiritual and overall well-being" (2003: 9). Although these can be points of contention, we can also see that the MFI and the church are balancing each other and helping correct possible points of deficiency. Working together, they are able to comprehensively address the needs of their congregation and communities. Fikkert acknowledged that "it takes considerable humility and vision for both sides of this partnership to understand one another and to join hands in ministry, but the benefits of doing so can be tremendous," (2003: 9).

Partnerships between formal MFIs and Christian churches are one of the most effective ways to ensure that high quality, sustainable financial services are provided along with support services and spiritual development. Befus argued that a church/MFI partnership is a "win-win proposition: The church obtains a valuable tool to help people in the neighborhood generate income, and the lending organization gains access to volunteer services that allow it to reach the poor with very low supervision costs." (1999: 82-83). The MFI benefits from any instruction and encouragement that the church can provide in financial stewardship—services that the MFI may not be able to afford on its own. Additionally, church members who want to see the program succeed will often voluntarily perform many of the administrative functions that most MFIs would have to pay for. These small programs can even achieve financial sustainability because they have such low overhead. Fikkert wrote that this "provides a tremendous opportunity for all parties to work together to minister to the physical and spiritual needs of the poor" (2003: 3).

Fikkert suggested that this partnership occur between churches and large-scale, established MFIs, which would allow for the greatest degree of stability and expertise. However, churches may also work with smaller MFIs and still gain the benefits of financial services combined with spiritual development. The main thing to keep in mind is that the two, though they interact with and complement each other, must be kept properly separate.

Mask and Borger wrote about this relationship:

> for local churches desiring to engage in Christian microfinance it is essential that the program's design reinforce their witness as the tangible hands and feet of Christ in the community, while at the same time safeguarding the church from problematic roles of financial service provision that could undermine their message or cast doubt upon the motives or actions of the community of believers (2008: 487).

Whenever money is changing hands, there is room for mismanagement, accusations, corruptions, and jealousy to take hold. A church-based microfinance program can be an important asset and Christian witness to the community, but it could also damage the church's reputation if mishandled. Having a separate organization controlling the program can minimize some of this potential harm. Befus agreed, writing,

> Managing economic programs through separate entities also helps protect the church. Delivery of economic services is held at arm's length, and decisions on whom to help do not fall to the clergy. The need to promote collection of loans does not mix with spiritual and religious counsel, nor confuse motivations of laity, when performed by a separate entity (1999: 88).

Providing proper separation of the church and financial program protects church leadership from accusations of money mismanagement and from the temptation to do so. It also allows clients to continue to see the church as a safe place of care and spiritual support rather than as an impersonal financial institution that only wants their next loan payment.

When forming Give to Grow, our Filipino church partners warned that they had heard of other failed programs that had caused members to leave churches because they were ashamed that they could not repay their loans. For this reason, we were careful to keep pastors out of roles directly overseeing financial decisions and money management. Instead, we utilized pastors as program promoters and as sources of advice and spiritual support. Our clients recognize that their debt is with Give to Grow, an entity separate from their church. Nevertheless, by using the church as place to meet and by having pastors available to support our clients, our organization gains enormously.

What is Still Lacking

Churches in the developing world recognize the value of these programs as practical strategies to alleviate poverty within their congregations and as outreaches to their communities. However, as microfinance is less utilized in the developed world, churches in the United States need to gain awareness of what it is and of its potential value as part of a missions program.

Give to Grow is supported by Faith Christian Community (FCC), a church in the United States. FCC already had a relationship with some of our Filipino partners and working with Give to Grow is giving FCC a way to strengthen that relationship by offering sustainable solutions rather than just charity work. This is a model for involvement that can be followed by other churches. For example, Quest Church in Seattle has taken fairly radical steps to only support missions programs that are working towards sustainable development and not facilitating dependency. Some of the main things that they look for are local leadership and long-term presence and strategy. Quest sees itself as a partner to local churches and organizations in other countries, rather than a provider of money and services.

HOPE International is a microfinance organization that works extensively to promote the field within the Christian community in the United States. They recently ran a "Give HOPE Sunday" campaign designed to raise awareness in churches. Its stated goal, according to the organization's weblog entry on September 18, 2009 was

> to break down the perceived barriers that exist between churches and this new mission field of Christ-centered microfinance. We're claiming that missionaries can be bankers and affirming that for the three billion people living in poverty on this earth, there is Good News: God cares for His children's physical and spiritual condition.

HOPE's ministry provides a good example of what church involvement in microfinance can look like. In the organization's blog entry from December 3, 2008, Mark Russell described a church called Willowdale that supports a HOPE program in the Democratic Republic of the Congo. Willowdale members were regularly updated about the Congo program and lifted it up in prayer. Additionally, some members of the congregation were able to go to the Congo to experience the program firsthand. HOPE representative Nate Hulley, described the relationship as "mutually beneficial" as ideas were exchanged back and forth, promoting the betterment of the program.

Ultimately, relationships like this provide many of the benefits of more traditional short-term missions and avoid the major pitfalls. The loan program, supported by Willowdale, was likely viewed in the Congo as an investment and a partnership rather than a charity relationship. The exchange of prayer and ideas brought the people of Willowdale and those in the Congo into fellowship with each other as equals. Ultimately, everyone learned from each other and benefited from the relationship.

I would argue that church support for microfinance—in both the developed and the developing world—is necessary for the Christian microfinance industry to succeed. Large secular microfinance institutions can get started through government funding and ultimately be self-sustaining. Smaller Christian programs do not have this option and need at least a start-up financial investment. They may also need ongoing support for their "microfinance plus" activities of evangelism, training and discipleship alongside of loans and financial services.

Church mission programs should be concerned with telling the poor the good news: that God's power is sufficient to provide for them both materially and spiritually. They need not always be dependent on the help of outsiders, but can build up their own capacities to provide for themselves. Church-based microfinance, as Befus put it, "responds to people's material needs by promoting productive activity, enabling men and women to work, as God intended" (1999: 83). By helping people work, we are giving them dignity. By using our money to invest in productive, fulfilling, vocational activities, we are following the example of the wise servants in Jesus's parable who doubled their talents. Instead of making the poor dependent on our resources, we are enabling them to develop their own resources and increase their income. In doing so, they are able to reinvest in their families, neighbors, and communities and continue the process of development.

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Give to Grow International

ow.org

Dear Dewan Foundation,

I would like to introduce you to an organization called Give to Grow International. Give to Grow's mission is to be a catalyst for economic growth in developing nations by providing microcredit loans. Essentially, it is our aim to provide Christian churches with a practical way to address extreme global poverty issues.

Microcredit is a relatively new, but largely successful field of development work. Microloans are small loans—usually $50 to $500—given to poor entrepreneurs in order to expand their businesses and improve their overall financial situations. These loans require no collateral and only ask that borrowers meet regularly with a group of their peers to make payments and to support each other. The loans are repaid with minimal interest so the money can be recycled and issued as new loans to continue fighting poverty in the area.

Our organization is currently operating a small church-based loan program in the city of Jasaan in the Philippines. We have had success with our loan group at Jasaan Christian Center and would like to start a second group at New Hope Christian Fellowship. We need additional loan capital of $2700 in order to do so. This will provide initial loans for the 10 people that we want to include in the program. We are asking for $800 at this time and will come up with the rest of the loan capital and provide for administrative expenses through other sources of funding.

The enclosed proposal explains more details about our organization and this project. Give the Grow aims to help the poor and oppressed and we want to do so practical and sustainable ways. We hope that you share our concern for the people of the Philippines and would be willing to support us in our mission.

Sincerely,

Megan Boucher
Board Secretary
Give to Grow International

Organizational Background

Give to Grow International is a faith-based nonprofit organization. Our mission is to be a catalyst for economic growth in the developing world by providing microcredit loans. Give to Grow (GTG) was founded in Anchorage, Alaska in 2007 as a practical response to world poverty. GTG's founder has strong ties to Faith Christian Community (FCC), a non-denominational protestant church in Anchorage. GTG was founded with the intention of providing financial services to people in some of FCC's partner churches abroad. GTG's pilot loan program was launched in Jasaan in the Philippines in June of 2009. We worked primarily with two churches in the area for about a year in preparation for launching this program. We currently have a loan group at Jasaan Christian Center. Three individuals from that group have received small loans and three others have been approved for loans and are in the queue to receive them within the next several months. We hope to start a program at New Hope Christian Fellowship, our second partner church in Jasaan, next May.

GTG is still a small operation and is governed primarily by three directors, who also run most of the logistics of the organization. We also have additional volunteer support for various projects in specialized areas. GTG owes much of its success to a small team of volunteers in the Philippines who take care of ground-level operations. Besides occasionally reimbursing our field volunteers for expenses, all GTG staff members are currently unpaid. As the organization expands, we plan to provide salaries for our field staff. It will be necessary to raise funds for this before we expand very far beyond our pilot program.

As you can see, we are a brand-new organization that is just getting off the ground. We are excited about the current stage in our development. Even within the limited area that we work, the need and desire for loans is greater than our current capacity. We would eventually like to expand into the greater community to serve people who are not members of our partner churches. We see great potential for growth and are excited to rise to the occasion. We are still in the process of growing our pilot program, but soon hope for larger-scale expansion. If anything, we are trying to hold ourselves back from our ambition to grow so that we can focus on the careful development of our organization. As we slowly expand, we aim to do so in a responsible and sustainable manner. Part of this expansion requires start-up capital, but the more loans we are able to issue, the more our organization will be able to sustain itself through interest generated, meaning that we have the potential to be largely self-funded sometime in the future.

Need for the Proposed Project

Our organization is currently operating one loan group at a church in the city of Jasaan. The project we are proposing is an expansion of our pilot program to a second church called New Hope Christian Fellowship. We would like to begin giving out loans to this group in May of 2010. At this time, our first group will have been in operation for a year. Getting a second group running is an important step in our pilot program, as it will help us test the capacity of our field staff and perfect our model before any larger scale expansion can take place. The pastor of New Hope has been instrumental in getting our Filipino program off the ground and now we want to do something to help the struggling members of his own congregation.

This proposed project will address some of the financial needs of struggling small-business owners in the church. These are the “working poor” who have entrepreneurial spark, but lack the capital to properly utilize it. Because they are ineligible for conventional loans, they are left with few options: struggling along as before, trying to borrow enough money from family and friends, or turning to loan sharks who charge exorbitant interest rates. Additionally, they are particularly vulnerable to crises like environmental disasters or personal-health related issues.

Any money they may have saved can be completely wiped out by unexpected problems. Our loans are small, have low interest, and require no collateral. They are structured specifically for the needs of poor borrowers to encourage them to invest in their businesses with the support of our organization and of their peers. In the Philippines, our typical loan application is for some kind of retail business—especially small "sari-sari" (convenience) stores. We have also had proposals for an ice cream business, a used clothing business, and a daycare center. Most of these businesses already exist, but could be made more profitable by expansion.

The Philippines is a generally poor country with an intelligent and educated population, who nevertheless have difficulty making a living due to economic conditions in the country. They have enough to survive, but often not enough to provide for crises, to fully fund their children's education, or to elevate themselves above their current level of income. Many Filipinos go abroad to find work and then send money back to their families.

There are other microfinance organizations operating in the Philippines, including a program run by the mayor of Jasaan. However, these organizations are insufficient to serve everyone who might benefit from a loan. GTG is small enough to specifically target a population that is of particular concern to us and to our donors. We want to help our Filipino church family, many of whom are friends of our GTG volunteers. Our program relies heavily on a peer group system, where loan recipients meet regularly and support each other through encouragement, advice, and prayer. In this way, we are serving a unique need because we are able to utilize the strong community that already exists in these churches and empower them financially to help themselves in practical ways so that they, in turn, can give back within their church and local community.

We also believe that as a small organization, we are in a position to provide a program that is much more uniquely tailored than those of larger microfinance institutions. Our board of directors and our volunteers are heavily involved in the operations of the organization. We have frequent contact with our Filipino volunteers. This allows us to ensure that the program is going smoothly and meeting the needs of our clients, and helps us make changes rapidly if necessary.

Goals, Objectives and Anticipated Outcomes

Our goal with this project is to improve the businesses of 10 members of the congregation at New Hope Christian Fellowship. This should subsequently improve their income, making them more financially secure and better able to provide for their families and save for the future. We want to empower them to improve their own lives—our goal is simply to be a catalyst for the process. Our program requires loan applicants to organize themselves into a peer group of 5-10 people, begin meeting regularly, and submit loan applications to GTG. We will then provide each applicant with a small loan of $150 to $300, to be invested in his or her business.

In relation to their millennium development goals, The United Nations endorsed microfinance as an effective way to combat poverty. It is an accepted development strategy that is practical, sustainable, and respectful of personal dignity. The poor not only have a difficult time making ends meet, but are also especially vulnerable to crises and shocks. They are able to get small sums of money, which are quickly spent to meet daily needs. However, they are usually unable to accumulate large enough sums to make their businesses more profitable (or to start a new small business). We expect to see our loan recipients' businesses significantly improve as a result of the loan. Our current loan recipients have reported that their income doubled after purchasing more merchandise with the loan funds. We hope to see similar improvement in future loan recipients' businesses.

This project will initially serve only these 10 struggling small-business owners (and their families). However, because the loans will be repaid within a year of being issued, these same people may apply for additional loans and/or other people can join the program. This means that our loan recipients and the greater community will benefit from this investment for years to come. We intend to cover administrative expenses from interest and from additional donations, so the loan portion of this project's budget could stay in the program indefinitely.

All loan repayments are carefully tracked by the home office, the field staff, and the recipients themselves. GTG will have access to repayment information, which will be closely monitored. Additionally, our field staff will conduct a poverty evaluation upon entry into the program, loan repayment, and as requested by GTG. This will help us track the impact of the program. We will also track impact through reports from our field staff and borrower communication about the status of their businesses. As we are in the early stages of a small-scale program, all of this information will be monitored constantly. However, more formal evaluations of data will be conducted at 6 months and 1 year into the program and will be carefully reviewed by the directors. We will consider the program a success if a) the loans are repaid and payments are made regularly, b) the loans have a positive impact on the lives of the recipients and c) the recipients choose to stay in the program and apply for additional loans.

Work Plan

Our project will address the need for financial capital in poor communities by providing small business loans that are structured to encourage profitable use and consistent repayment. The repayment aspect is important because we want the money to keep on working within the community. The ability to repay is also an important indicator of whether the loan is actually improving the borrower's business. (Defaulters will not be penalized other than becoming ineligible for additional loans; however GTG will do everything it can to help people repay, including restricting the loan to require smaller weekly payments). Our loan program requires each applicant to belong to a peer group that meets weekly to make payments and keep each other updated on the status of their businesses. Loan applications must be approved by all members of the group before being approved by GTG. Loan distribution is staggered, with two applicants receiving the first loans and others receiving theirs after the first two have begun to make regular payments. If any group member defaults on a loan, the entire group will be ineligible for further loans until the defaulter is back on track. This model encourages repayment based on peer-accountability and utilizes the group itself to screen out any proposals that are not up-to-par or people who are not loan-worthy.

Project staff consists entirely of volunteers. Our Filipino staff will help coordinate the logistics of the program—these roles are already in place, as we will use the same staff at New Hope Christian Fellowship that we are using for the program at our other church. We have a position called "Field Liaison" who helps identify loan recipients, explains the program, and coordinates initial group meetings. She is also responsible for conducting poverty/impact evaluations and communicating information back to the GTG home office. The loan officer collects payments from the group, keeps track of the bank account, and communicates all financial information to GTG. Additionally, the group will elect a leader and a treasurer who will help manage the group and its funds. Staff in the U.S. process and track all paperwork, loan payments, and other communications from the field and generally monitor the status of the program. Field staff report back to and receive instructions from the home office.

The loan program at New Hope Christian Fellowship is scheduled to begin in May of 2010, although as only two members will receive the initial loans we do not necessarily need to have raised all the money by then. The projected timeline and objectives are as follows:

1. Current: Many potential loan recipients have been identified by the church's pastor and have expressed interest in the program.
2. By April 2010: The pastor and potential recipients will have narrowed it down to the 10 best recipients (based on need, status of business, and personal character).
3. By May 1, 2010: These potential recipients have formed a peer group, and have begun meeting regularly.
4. May 15, 2010: The Field Liaison has conducted poverty evaluations for the group. The group has selected a leader and a treasurer.
5. May 31, 2010: All group members have completed and submitted their loan applications and the applications have been reviewed by GTG.
6. June 1, 2010 – First two applicants receive their loans, invest the money in their businesses, and begin making payments.
7. July 15, 2010 (Approx)—Next applicant receives loan. Another applicant will receive his/her loan about every six weeks until all members have received loans.
8. June 1, 2011—First two applicants have finished repaying their loans and may apply for new loans. All members have received loans by this time.

Budget

We already have the infrastructure in place to run the program—we simply need enough funding to provide the loans. The total cost of this project is $4000. We already have enough of a donor base to cover the administrative expenses involved in this project. Our current fundraising and granting efforts are focused on generating the $2700 needed for loan capital. Of this $2700, we are requesting $800 from the Dewan Foundation. As the $800 invested will ultimately be repaid with interest and issued as new loans, this grant will continue working long after its initial use. If our clients continue to have high repayment rates, current programs can be sustained through the initial funds invested and we will only need to solicit new grants and donations when we expand and start additional programs. Because the program is small and currently requires a limited operating budget, we are funded largely through a strong support base of individual donors, some of whom have already offered support for this project. Faith Christian Community in Anchorage, Alaska also continues to be supportive and we expect future funds from the church and its members.

1st Year Program Budget for New Hope Christian Fellowship Loan Program

Expenses	
Microcredit Funds for a group of 10	$2,700
Reimbursement fund for field staff	$200
Incidental administrative expenses	$100
Travel Expenses for GTG employees for project evaluation[1]	$1,000
Total:	**$4000**
Project Income Sources (projected)	
Income from private donations and other grants	$3,200
Amount requested from Dewan Foundation	$800
Total:	**$4000**

[1] This project will be evaluated by GTG staff as part of our pilot loan program. As this travel will also include evaluation of our loan program at other churches and activities related to organizational strategy (which come from separate budgets), only a portion of the total travel cost has been included in the New Hope Christian Fellowship budget. Travel, though costly, is necessary at this stage in the organization's development. We have planned fundraising activities to raise funds specifically for travel expenses.

Budget Details

This budget and grant proposal assumes loans for all people in the program at 14,000 Philippines Pesos each (which is about 300 U.S. dollars). As loans are continually issued and continually repaid, much of the initial loan is recycled. $2700 in loan capital allows us to issue a new $300 loan every six weeks, so long as regular payments are being made on any previous loans. This amount also allows for a $1000 buffer so that if we face problems like defaulting or inflation, we will still reasonably be able to provide loans and keep the program going.

This budget and project proposal assumes a loan group of 10 people; however if we are unable to get enough funding to meet this budget, the project will still go forward with loans issued to less people. Peer groups are required to have a minimum of 5 people and a maximum of 10. The minimum amount of loan capital we will need to go forward with our program is $1800 to support initial loans for a peer group of 5, which allows a buffer of about $500.

Agency Resources

Our organization is still very new, and likewise, much of our staff is new to the field of microfinance, but learning rapidly. Our board of directors is responsible for the planning and direction of this program and our Filipino volunteers are responsible for its implementation and day-to-day operations. All of our staff have been working in the microfinance field with Give to Grow for about two years.

GTG's President and founder is Alex Worthen of Anchorage, Alaska. Alex has a BA in Accounting from the University of Alaska, Anchorage and is pursuing an Executive Master's Degree in Business Administration from the University of Washington. In addition to running Give to Grow, Alex also works in business valuation and also has experience in technology consulting and real estate investment. Alisa Amundsen is GTG's Vice President and Treasurer. She holds a bachelor's degree in Business Administration and Marketing from Northwest University (in Kirkland, Washington). Her background experience is in marketing for small businesses and internet-based companies. She currently manages a small family business and does consulting on the side. Megan Boucher is GTG's Board Secretary. She has a BA in English Literature from Seattle Pacific University and a Master's Degree in International Care and Community Development from Northwest University. She wrote her Master's thesis project on church-based microfinance. Donna Estrebor, our Field Liaison in the Philippines is the pastor of a church in Jasaan. She also has many years of experience working with microfinance in the Philippines.

Project Log Frame

	Indicators	Means of Verification	Risks and Assumptions
Long-term Goal: Empower our Christian brothers and sisters in Jasaan; help create a community with less risk, less poverty, and more resources and opportunities.	Less overall poverty. More opportunities for sharing and giving amongst the people of Jasaan. Less concern over finances. Ability to recover from disaster. Thriving and growing businesses.	Official economic indicators from city government. Feedback from community leaders.	Worldwide and countrywide economic trends are hard to counteract and could interfere. Political instability and natural disasters (common in the Philippines) are also setbacks.
Objectives/Outcomes (this project): Increase the income of 10 families who attend New Hope Christian Fellowship and help them form supportive relationships with other small business owners so that they can collectively work towards bettering their own lives, their church and their community.	Increased business income for program participants. Less vulnerability and financial stress. Group members support each other and are able to give back to the greater church community. Improved overall quality of life.	Income and standard of living surveys for those entering or exiting the program. Assessments and surveys with groups to measure impact. Feedback from pastors. Feedback from field staff.	Assumes that increased business income will be used to benefit families. Hopes that excess income may be used generously to help the church and greater community.
Outputs: • 10 people belong to and regularly meet with a peer group. • Each member has a plan for improving his or her business and applies for a GTG loan to implement the plan. • GTG field staff and other group provides support, encouragement and advice for business improvement.	• Increased take-home income • Successful loan repayment. • Less financial stress reported. • Life improvements (e.g. children in school, adequate food, home improvement, etc.)	• Income surveys • Home and/or business visits • Entrance/exit income • Loan repayment tracking/statistics • Personal interviews/feedback • Occasional formal assessments	Assumes that peer group model will facilitate loan repayment. Church must accept the program as beneficial.
Activities: • Make microcredit loans available for 10 group members within a year (distribution is staggered). • Help facilitate peer/pastoral support of business through peer group meetings.	**Inputs:** • 2 unpaid field employees • $2700 for initial microcredit funds • About $200 in expense reimbursement for field staff (yearly). • $50 of additional administrative expenses (e.g. postage expense, money transfer fees, etc.)	Will assess budget on an ongoing basis. Will assess more formally on a yearly basis as financial reports are prepared.	Assumes that there is a viable market for business improvement. Each member must actively participate and commit to their peer group.