

## **Microfinance and Migration: Lending in Chiapas**

100 Projects for Peace

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In the last year, immigration has become an increasingly high-profile policy issue in the United States, as politicians debate the merits of a guest worker program, the costs of building a seven-hundred mile border wall, and the feasibility of increased in-country visa enforcement. The debate has consistently failed to address the reasons for the influx of immigration pressures on the United States, in particular the “push factors” that are encouraging people from Mexico and Central America to attempt border crossings. In order work towards a sustainable, peaceful and non-partisan solution to the immigration question, we believe that these economic push factors must be addressed and curbed.

Our desire to learn more about these issues led us to join a delegation to the U.S-Mexico border. We found that a majority of those seeking to illegally cross the border came from farming families, particularly from southern Mexico and Guatemala, who have been harshly affected by the free-market restructuring of the Mexican and U.S. economies. The subsequent lack of economic opportunity has driven thousands of people each year to attempt a dangerous border crossing just so they can feed their families. We were permanently impacted by the desperation and courage of the individuals we met. We learned that people are not coming to the United States because they want to take advantage of free education, nor to exploit our health care system, but rather because they see no other option for survival. Providing economic alternatives will help mitigate a migration cycle that displaces families, risks lives, and creates political tension.

Our project seeks to create new and alternative economic opportunities in southern Mexico: to establish a small-scale, non-profit microfinance firm. We hope to target farmers who lack the capital and credit to shift from traditional crops (e.g. maize, coffee) to more stable enterprises that are less dependent on foreign markets and will allow for greater personal, community, and regional growth. We plan on using the Grameen Bank model: looking to use credit, a human right, as a form of community activism for the very poor. Our small amount of capital, once infused into the economy, will spark a cycle: credit → investment → growth → more credit.

We believe that providing credit and initiating growth fulfills a mission of peace by addressing issues of structural violence. The extra income gained by our loans will give people the opportunity to provide themselves with better access to health care, education, and sanitation. By expanding economic opportunities in Chiapas we will be helping relieve migratory pressures towards the United States. One of the best ways to diffuse these pressures that lead to border violence, racism, and anti-migrant sentiments in the United States is by giving potential migrants the opportunities they need to stay at home and live with their families.

Our goal is to contract loans to encourage crop-shifting and new business ideas. The target loan recipients are farmers whose crops are subject to price and market share drops since the lowering of trade barriers post-NAFTA. We conceptualize our project as having four stages:

Before departing for Chiapas, we need to finalize our travel plans, lodging, and office space. The most important part of our planning process will be to solidify our relationship with DESMI and CODIMUJ – local non-profit organizations that seek to provide economic and social opportunities for Chiapan citizens. We want to combine our efforts with one of these organizations so that we can gain access to local social networks, and establish credibility within those social circles. Ultimately, we plan on transferring the responsibility of our project to our “sponsor” organization to ensure its long-term viability. We will also use this time to draft our publication materials and outline the structure of information sessions for potential borrowers.

After establishing our office, we will start publicity efforts—radio ads, newspaper ads, leaflets and informational pamphlets. We will contact community leaders in government, non-profits, and Rotary Clubs of Chiapas to help us identify potential borrowers and generate a network in the community. During this stage we will host weekly informational sessions that outline the terms of our loans: \$50-\$500 issued below the market rate will be available to families that can prove their needs are for sustainable,

environmentally unobtrusive projects. We will preference ideas unconnected to volatile international markets. Applicants will provide short-term and long-term goals for their loan project and prove their idea has forward linkages in the local market. Although borrowers do not have to provide collateral, they must produce a timeline for their project execution and their loan repayment; since our contribution to the bank will have ended before harvest, we cannot expect to collect repayments on all loans. We will therefore be working very closely with our partner NGO to ensure that they have the capability to collect on all loans we issue.

By the third week of our program, we hope to initiate the loan process—receive and review loan applications and administer the first set of loans within the week. The next month will be due-diligence—reviewing application, meeting with potential borrowers to determine their capacity to complete their proposed projects, and taking trips to monitor their progress. We plan to visit each recipient at least every other week so as to establish a close connection with their goals. On these trips we want to learn which loans are most economically viable and how we can best support borrowers. During this period we will work with our partners to determine exactly how to incorporate our projects and loans into their existing infrastructure and ensure that the loan system continues long-term.

The most important aspect of our final stage is to ensure that our partner organization is prepared to take over the project, and that we have prepared our borrowers for this transition. During the final days, we will be closing our office and begin preparing our final reports. In addition to the one page write-up for the UWC scholars' office, we will also compose a "Paradigm report." This report will re-evaluate the project goals, address the challenges we faced in our project, our major successes and failures, and determine how the new/continuing project could be updated. We believe that this report would be useful to other groups interested in starting microfinance projects such as Chiapan non-profits, the Rotary Club, the Whitman Alumni Assoc., and the Woodmen Valley Chapel's missions team.

The size and structure of our project is a great advantage. Unlike larger microfinance banks, our scope is specific and our financial assets are very manageable. We can concentrate on how we administer the loans, and be less concerned with holding idle capital: this means we can be very selective about which loans we choose. Structurally, our idea is culturally sensitive—unlike many development ideas that impose projects on a community, we allow members of the community to propose their own ideas for economic growth. In the long-term this means that our investment can continually adapt and respond to the community needs. We have placed power in the hands of the community; they can ensure that the portfolio grows and continues to fund sustainable projects in the years after our term in Chiapas.

Beyond the long-term growth of the account, our goal is that our project serves as a model for similar projects around the world; by publishing our successes, mistakes and observations we can accelerate the learning curve for similar projects dedicated to spreading peace. Long-term success requires commitment to our short-term goals: hold weekly informational meetings, quickly identify and fund successful ideas, establish credibility with the community, continually expand our social network in the region, and diligently communicate and cooperate with our Chiapan partners.

Each of us has experience both living and working in Latin American nations for extended periods of time. We have assumed leadership roles as coordinators of a Mellon Diversity Grant for community activism and education regarding the immigration debates in Eastern Washington. Both are fluent in Spanish.

Samuel Clark's experience in small-scale development projects comes from an internship in Paraguay for an NGO that teaches farmers to cultivate and market loofah sponges. His interest in immigration and peace began as an ESL tutor at a Washington elementary school. Last summer he became a Public Policy and International Affairs Fellow at Princeton Univ., where he wants to pursue an M.P.A. in preparation for work in international development.

Sophia Kittler has extensive work and study experience in Mexico working at an international e-commerce corporation and has also done microfinance research at a socially responsible investment firm in San Francisco. She is a Latin American Studies major and hopes to pursue a joint-degree program in business and international relations.