

Katherine Wasserman Davis Foundation

Projects for Peace

**Chiapas Lending Program: Samuel Clark and Sophia Kittler**

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The “Chiapan Lending Project” was conceived of as a grassroots, small-scale economic development program designed to target the rural and semi-rural communities in Mexico’s poorest state, Chiapas, stemming from the recognized need to address the push factors of Mexican migration to the United States. The original goal was to design and open a microfinance group that would give small loans for production and economic investment, with a heavy focus on corn and agriculture.

Upon arriving in Mexico City, and then Chiapas, we found that despite the “market” for microfinance in Chiapas was oversaturated, and the areas most lacking in access to credit were not regions that we would be able to effectively penetrate on our own in such a short span of time (for example, the Chiapan highlands and indigenous communities, where little Spanish is spoken). Furthermore, having met with both traditional micro-finance groups and companies working to make those groups more effective (such as Amextra, Al Sol, or ProDesarrollo), we felt under-qualified to try and enter the established “market” of micro-finance companies and NGOs. We did, however, take time to research and interview current actors in the Chiapan micro-finance system, and perceived the market as being under funded and lacking breadth.

In order to most effectively employ our grant money, we created a multi-phase project system that would both allow us to better understand the local micro-finance network as it stands as well as become involved participants in the expansion and improvement of the micro-lending process in Chiapas. The first phase (after our initial research) was to seek out a short-term internship with an established micro-financier that would allow us to understand the workings of day-to-day micro-lending systems as well as the opportunity to ask about the landscape of lending in the state. After meeting with a number of groups in the area, we agreed to take on a “product design” pilot project with Grameen Trust Chiapas (an affiliate of Grameen Bank, of Muhammed Yunis). We worked designing, conducting and analyzing socio-economic surveys in order to identify the social services most lacking in the immediate area around Teopisca, Chiapas, in exchange for the aforementioned experience and information. This internship also allowed us the opportunity to get a sense of a semi-rural population, their jobs, their income, and their spending habits.

Phase two, while short, was an imperative part of the improvement of micro-finance in the area: a period of analysis to identify the problems and missing links. Our survey experience helped us pinpoint what we perceived to be most directly lacking.

The immediate result of this survey indicated that the production-based lending model conceived of by Yunis is (as has been recently recognized by the Grameen Bank itself) insufficient for improving quality of life because of the high costs of health and education. Health, in particular, is a major obstacle to their economic improvement, and is itself greatly inhibited by a lack of access to adequate housing (many, if not most, of the lendees interviewed lived in houses made of plywood or cardboard, with dirt floors and aluminum roofing). The micro-loans given by Grameen are designed to expand economic activity and production through further investment in the business, rather than consumption, such as for housing-related items. Thus, despite the support granted by Grameen Trust, many of the women’s

husbands or close relatives had left Chiapas in search of work, going to either Mexico City, the beaches of Mexico, or the United States. For us, this indicated that a secondary loan, with a lower interest, was necessary to help pull up the quality of life in the area, as production-based loans were not sufficient.

Another key problem that we found in the existing system was, in fact, the loaning process being employed. Loans are given provided that the credit receiver fills a certain profile (below a certain income, verified employment, etc.), but does not provide any additional insight or guidance as to how to make the production investment work for the lender. In an effort to avoid being paternalistic, this makes a certain amount of sense. However, a lack of experience and education prevents many of the creditees from recognizing entrepreneurial prospects, and as a result there is little opportunity for improvement. Many of the women in the Teopisca area, for example, make and sell tostadas for their income. If there were a business planning class, for example, or some other manner to highlight alternative economic opportunities, the production-based loans would be more effective.

Phase three of our project, now, is to use the remaining grant money as seed capital for pilot extension projects for other NGOs and social development groups. By doing so, we can work with an established group and use their connections and expertise to ensure that the project will be followed through and well-staffed, while enabling them to mitigate the risk for these necessary projects. We are working with *Foro para el Desarrollo Sustentable* (Forum for Sustainable Development), a San Cristobal-based group that identifies development as a basic human right and seeks to fill in the gaps where the government and private sectors have neglected the opportunity for this right, particularly with respect to rural indigenous groups. Despite a shift away from our original corn focus, the pilot project we are putting in place is very similar to our original project proposal. We will be working with *Foro*, traveling to indigenous towns on the outskirts of the Lacandón jungle (in particular, Chenalhó and Pantelhó) to work with local coffee growers. Loans will be specifically targeted to enable the *cafetaleros* to both diversify their crops within the same space (lychee, for example, is an alternate crop that can grow symbiotically with the coffee) as well as fund the shift away from heavy usage of fertilizers and insecticides in order to create an organic product, which will allow the growers to receive a higher price for their coffee.

Thus far, our project has been slow moving, but not unsuccessful. We have learned a great deal about the status of micro-lending in Chiapas and now have identified the best manner for us to help improve the existing system with our grant capital. Even if the new pilot project is unsustainable in the long run, we will consider ourselves successful if we can help improve the quality of life of one farmer, and the project a substantial achievement if we can help *Foro* identify the most advantageous aspects of a new development project that can be perpetuated in the years to come.