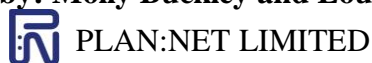


Towards Financial Self-Sufficiency:
**Feasibility Study for a Micro-Credit Project for
Immigrant Women in Calgary**

A Study Conducted For



Prepared by: Molly Buckley and Louise Griep



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LIST OF ACRONYMS

ANIW	Alberta Network of Immigrant Women
AWEIA	Alberta Women's Enterprise Initiatives Association
CIWA	Calgary Immigrant Women's Association
CFDC Central Kootenay	Community Futures Development Corporation of Central Kootenay
CMCN	Calgary Mennonite Centre for Newcomers
MCC ED	Mennonite Central Committee Employment Development
MFI	Micro-Finance Institutions
RCDC	Riverdale Community Development Corporation
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme

TABLE OF CONTENTS

List of Acronyms	i
List Of Appendices	ii
Executive Summary	iii
1.0 INTRODUCTION.....	1
1.1 Methodology	1
1.2 Organization of the Report.....	1
1.3 Acknowledgements	2
2.0 BACKGROUND.....	3
2.1 Micro Credit Models.....	3
2.2 Lessons Learned	5
3. RATIONALE AND NEED	14
3.1 Rationale	14
3.2 Need.....	16
3.3 Current Micro-Credit Programs in Calgary	19
3.4 Conclusion	21
4.0 PROGRAM OPTIONS AND FEASIBILITY	22
4.1 Introduction	22
4.2 Potential Micro-Credit Products.....	22
4.3 Program Options for Calgary	28
4.4 General.....	30
5.0 CONCLUSIONS AND RECOMMENDATIONS	31

LIST OF APPENDICES

APPENDIX A: WORKPLAN

APPENDIX B: INTERVIEW AND FOCUS GROUP PROTOCOLS

APPENDIX C: LIST OF KEY INFORMANTS AND FOCUS GROUPS

APPENDIX D: PROFILES OF MICRO-CREDIT ORGANIZATIONS

APPENDIX E: LIST OF DOCUMENTS & WEBSITES REVIEWED

EXECUTIVE SUMMARY

Background

PLAN:NET Limited was asked by the Alberta Network of Immigrant Women (ANIW) to conduct a feasibility study for a micro-credit program for immigrant women. The purpose of the study was to determine whether or not there is a need for micro-credit among immigrant women in Calgary, what related needs exist, and to recommend the possible ways to meet these needs.

Micro-credit is usually considered to be loans of less than \$5,000 provided to individuals who cannot access credit through mainstream financial institutions for one reason or another. Micro-loans have traditionally been used to begin or expand a small business. More recently, however, organizations have begun to offer micro-credit for a variety of other purposes, including education, rent, etc. Generally, loans are offered through two mechanisms: group or peer lending, and individual loans. Group lending has been less successful in Canada than in many countries, though there are a few programs where peer lending is available. There are a number of micro-credit programs across Canada that offer individual loans. Their experience offers valuable insights to planning for new programs.

Experience shows that micro-credit programs in Canada have not been financially sustainable. Stable ongoing funding is required to cover the operational and training costs of program. Planning for ongoing resource available is crucial when designing a new project.

Need

Immigrant women in Calgary expressed a need for flexible micro-credit for purposes beyond small business, delivered in a supportive environment that provides the additional services they need to succeed as newcomers to Canada. Currently there are two micro-credit programs in Calgary that meet some of these needs. Additional credit products and support services are necessary to fully support immigrant women. Immigrant serving agencies in Calgary provide a range of support services in mixed and women's only settings.

There is a need for micro-credit among immigrant women that is not currently being met, particularly for loans for accreditation, upgrading and training. There is equally a need for support services such as training, support networks, and information.

Recommended Program

ANIW should take a leadership role in initiating and establishing a new tailored program that meets the various credit and support needs of low-income immigrant women, including credit for accreditation/upgrading/training. ANIW should enter into discussions with Mennonite Central Committee Employment Development (MCC ED) and/or Alberta Women's Enterprise Initiatives Association (AWEIA) to discuss the possibilities of expanding their loan programs to immigrant women.

This program option would have the advantage of access to current micro-credit products with tested and successful delivery and support mechanisms, access to other supports for immigrant women through settlement agencies, and the opportunity to solidify relationships and experience (and funding) before beginning development of a new loan program for accreditation/ upgrading/ training for professionals and skilled trades people to move into their fields of expertise.

To begin, ANIW should play a referral and bridging role that provides information and support to immigrant women experiencing barriers to accessing credit services. These activities would be relatively low cost, and could serve as an “entry-point” into the micro-credit arena. This would allow time to further identify the needs and gaps in delivery.

As part of this Tailored Loan Program, ANIW should also play a role in developing specialized support programs, including women-only peer circles and programs that help immigrant women to improve their capacity to manage credit within the context of the other challenges in their lives. Strong partnerships with local organizations currently meeting some of the needs should be built to provide immigrant women with a wide range of support services.

Feasibility

Capital Loan Fund

Funding will be necessary to establish an adequate capital loan fund for the new accreditation/ upgrading/ training of micro-credit loans at approximately \$100,000. Once the capital loan fund has been raised, interest and administration fees, with careful management of loans to ensure a reasonable payback rate, should be enough to ensure that the fund is self-sustaining.

It is assumed that the new program will be able to access partners’ existing loan funds for small business loans. Additional funds may need to be raised to address the increased demand for loans. As well, if additional products are added, such as peer lending or emergency loans, this fund may also need to increase.

Operational Funding

Depending on the scale of activity, and the delivery model decided upon, ongoing yearly support funding at approximately \$60,000-80,000 for salary and overheads would be needed. As it is very difficult to access core funding in the current funding climate, ANIW would have to seriously consider how to continue to raise this amount over the long term, to ensure the sustainability of the program. Ensuring the ongoing operational costs is likely to be the biggest challenge of a new program, and needs to be carefully thought through and strategized.

Conclusion

ANIW should take the steps necessary to establish a Tailored Loan Program. It will be most feasible if this is done in close partnership with other organizations that are currently operational in granting credit, and in providing appropriate support services. ANIW’s role would be:

- to develop the partnerships necessary to make the new accreditation/training/upgrading loan fund and existing credit and support programs work seamlessly for the benefit of immigrant women;
- to spearhead the effort of developing clear and systematic policies and procedures for the new accreditation/training/upgrading loan fund;
- to develop additional information and support programs to fill gaps for immigrant women accessing credit; and
- to coordinate the fundraising of the capital loan fund and the recurring operating costs

As the program takes shape, ANIW should pursue an education/advocacy role with traditional lenders to make mainstream credit more available to immigrant women.

PROGRAM PHASES

Such a program should be carried out in the following phases.

PHASE I

Steering Committee: A steering committee will need to be established in order to champion and promote the initiative, build support, and keep and maintain the momentum. The Steering Committee should be composed of the stakeholders mentioned earlier, as well as other potential partners including representatives from banks, foundations, and other funders. It will be important to recruit members with the appropriate skills, experience and networks to champion the initiative.

Planning: A comprehensive planning session with ANIW's board and the Steering Committee will be necessary to work out how to proceed and address the myriad details that will arise. While flexibility is important in meeting the needs of women, clear systematic procedures and policies will guarantee the greatest chances of a successful, renewing loan fund that supports immigrant women in achieving their dreams. A key component of this plan would be an operational plan as well as a detailed budget. Potential partners and key community members should be involved in the planning process to promote buy-in from the early stages of the process.

Negotiations: ANIW should begin negotiations with potential partners to implement a new tailored loan program housed in another agency (MCC ED being the most likely), with access to programs and services currently offered by other the partners. This will require discussions about the loan fund requirements, application and approval procedures etc., and roles and responsibilities of various partners.

Fundraising: After completing a detailed plan and budget, funds will need to be raised for a loan fund and start up and operation costs. A realistic fundraising plan for ongoing costs will also have to be developed. This plan should include fund development for both the training, and lending components the program. The Steering Committee should include members with experience and competencies in training, lending, fundraising and other relevant areas.

PHASE II

Piloting: Once all of the pieces are in place, the program should be piloted. Special attention should be paid to monitoring and evaluation, in order to continue to improve the program.

PHASE III

Once a program has been successfully established and piloted, ANIW should investigate opportunities for instituting emergency and/or unrestricted small loans to immigrant women, and the possibility that there may be a need among particular immigrant communities to access peer lending. ANIW may also wish to consider opening the program to immigrant men, and/or perhaps Canadian born women as well.

1.0 INTRODUCTION

The Alberta Network of Immigrant Women (ANIW) is considering initiating a pilot project that would provide micro-credit to immigrant women in Calgary in order to help them become increasingly financially self-sufficient. The idea developed from the recognition that there is a need for lending opportunities for immigrant women who may not meet conventional financial institutions' lending criteria, and therefore may have difficulty accessing credit from traditional sources. In March 2003 ANIW contracted PLAN:NET Limited to conduct a feasibility study to explore the possibilities for such a project in Calgary.

The objectives of this study were to:

- examine the need, rationale and feasibility of a micro-credit project in Calgary;
- identify additional needs women may have, such as skills development, training;
- identify various micro-credit delivery models and propose a delivery model and potential partners for Calgary; and
- provide the Alberta Network of Immigrant Women with recommendations for the implementation of such a project.

The Work Plan is attached as Appendix A.

1.1 Methodology

The research unfolded as follows. To begin, a review of the literature regarding micro-credit programs in various parts of the world was carried out. In early May, a meeting was held with ANIW and the private donors to further clarify expectations around the study. The team then interviewed ten practitioners implementing loan programs in Canada. Next, five focus groups were held with immigrant women. One focus group was also held with immigrant men and women. In total, approximately 40 immigrant women, whose time in Canada ranged from a few months to over 20 years, participated in the focus groups. The majority of the women had been in Canada for less than five years. Three representatives of financial institutions were interviewed. Finally, interviews were conducted with seven service providers in Calgary who work with immigrant women.

The Interview and Focus Group Protocols, and the List Key of Informants, are attached as Appendix B and Appendix C.

1.2 Organization of the Report

The remainder of the report has been set out as follows:

Section Two provides an overview of existing micro-credit delivery models, and summarizes the lessons learned from a review of the literature, and interviews with micro-credit providers.

Section Three examines the rationale, and the need for a micro-credit program for immigrant women in Calgary. It also provides an overview of the micro-credit programs currently operating in Calgary.

Section Four presents the possible delivery models and mechanisms for a micro-credit program for immigrant women, and provides an assessment of the feasibility of the various options.

Section Five provides recommendations for implementation of such a program, and possible phases to be carried out.

1.3 Acknowledgements

The researchers would like to thank all of those individuals who took the time to share their thoughts and opinions with us. We would especially like to thank the immigrant women who participated in focus groups for sharing their dreams with us, as well as those who made these focus groups possible. We hope that this report will help to stimulate continued thought and discussion about how to better meet the needs of immigrant women and help them to flourish and succeed in Calgary.

2.0 BACKGROUND

2.1 Micro Credit Models

Micro-finance, defined as “*Banking and/or financial services targeted to low-and-moderate income businesses or households, including the provision of credit*” began in the late 1970s, with the realization that large numbers of low-income entrepreneurs throughout the world are denied access to mainstream financial services (UNDP, 1997). Non-profit organizations and financial institutions began to offer a variety of services to this target group, particularly in developing countries. Micro-credit, “*the provision of credit services to low-income entrepreneurs*”, is one of the most common services provided (UNDP, 1997). Micro-credit has come to be seen as an effective poverty alleviation mechanism for low-income individuals. “Experience shows that micro-finance can help the poor to increase their income, build viable businesses, and reduce their vulnerability to external shocks. It can also be a powerful instrument for self-empowerment by enabling the poor, especially women, to become economic agents of change” (microfinancegateway.org).

It is estimated that micro-finance institutions (MFIs) are reaching between 10 and 20 million people with savings and credit services throughout the world, with women accounting for a slight majority of borrowers, and that the average repayment rate is 98% (Cheston and Kuhn, 2002, UNCDF, 1997). In North America, there are various scales of micro-credit programs, from very small scale, volunteer driven community-based programs that provide loans for fewer than 20 people per year, to large scale, highly formalized programs serving over 4000 people per year. Such programs exist in both rural and urban areas, and often target a specific group of low-income people: for example, women, aboriginal people, youth, immigrants, people with disabilities, etc. Regardless of scale, location or target group, two basic approaches to micro-credit delivery exist throughout the world: group lending and individual lending.

2.1.1 Group Lending

While there are variations between group lending programs, the following section provides an overview what a group lending program might look like.

Group lending (also known as peer lending, solidarity lending, or loan circles) involves a group of between 5 to 15 people who voluntarily come together to support each other, and help each other get loans to expand their micro-enterprises. Group members generally need relatively small loans, a (good) credit history, lack traditional collateral, and are thus ineligible for bank loans. However, the group’s guarantee of each other’s loans serves as collateral. Before receiving any loans, the group receives some form of orientation and often micro-enterprise training, and develops group by-laws. Group members are then responsible for assessing and approving each other’s loans. A staff person from the micro-finance institution facilitates the group through these steps.

Loans are then given to one or two members within the group. Stepped loans are given, meaning that a small loan is given first, then if the client repays the loan, they are eligible for a larger loan, thus building a credit history for the client, while minimizing the risk to the institution. After a specified period of time (perhaps two months), if payments on the outstanding loans are being made regularly and in full, other group members may apply for loans. If there are any problems with repayment, no other loans are given until the payments are made, and the problem is resolved. The group meets regularly to provide ongoing support to one another and to help ensure that the payments are likely to be made. If a member defaults, the other members will support and/or pressure the member to make payments. In this approach, the risk is passed on to the group members in one of two ways:

1. If one member defaults, all other members lose their access to future loans;
2. All group members are jointly financially responsible for the loans of the others.

In addition to these two methods, some programs also require a deposit from all the members that is reimbursed once the loans have been repaid. This money serves as a contingency fund against potential defaults (Churchill, 1999).

2.1.2 Individual Lending

Individual micro-lending programs provide loans to low-income individuals who wish to start a small business, and are unable to access credit from traditional financial institutions because they lack collateral and good credit histories, and the amounts required are too small to justify the administrative costs to a bank. Loans are made based upon the person's character, and how well they can articulate their business ideas. Their place of business or household is inspected, and character references are verified. Lending institutions sometimes require that applicants go through a training program prior to receiving a loan, in order to build their skills and demonstrate a level of commitment to the process. This training can last from one day to one year.

Application requirements can range from a very simple application form, to full-blown business plans and financial statements. Applications are assessed on a case-by-case basis by a Loans Officer, and then are passed on to a Loans Committee for approval or rejection. Once the loan has been given, the Loan Officer remains in contact with the client to provide any necessary support and encouragement, as well as to avert any potential difficulties and delinquencies.

Individual loan programs are often more flexible than group loans, and are tailored to the needs of the client. Loan sizes, length of repayment terms, and repayment plans, are very often dependent on the purpose of the loan. Having said that, the one-on-one support that is often necessary both pre and post loan approval can be quite time consuming.

2.1.3 Savings Circles

While not a micro-credit model per se, savings circles are worth mentioning, as numerous savings circles exist in Canada and elsewhere, and have been quite successful in promoting savings and giving people access to a larger sum of money than they would normally have. In savings circles, a group of people (often women who are friends or neighbours) come together as an informal support network. The group usually meets once a month, and at every meeting, each

woman contributes a set amount (perhaps \$25 to \$100). One group member then receives the entire pot of money to spend. The following month, the money is given to another member, and the money circulates to everyone in the group in this way. A high level of trust is obviously necessary for the members to feel confident that they will get out of the pot what they put into it. It is therefore very important that the group develop some “ground rules” (possibly including uses of the money), at the beginning of the process, and that the members know each other well enough to trust each other.

The benefits of savings circles are twofold:

1. The group serves as a social support network, and allows the members to build relationships and to support one another;
2. Each member has access to a sum of money that it might take a long time for her to save on her own.

2.2 Lessons Learned

The first micro-credit program in Canada was started by Calmeadow 15 years ago, and was based upon the group lending model. Since then, a variety of micro-lending programs have sprung up across Canada. In 1998, there were approximately 30 such programs across the country, in both rural and urban areas (Connell, 1998). Throughout our research, 10 practitioners delivering micro-credit programs in Canada were interviewed. An overview of their programs is attached in Appendix D.

The following “lessons learned” are drawn from our interviews with micro-credit practitioners, as well as from the literature review.

2.2.1 Program Financial Sustainability

The research clearly shows that micro-credit programs in Canada have not been able to become financially self-sufficient. While Calmeadow was optimistic about their prospects of becoming financially sustainable in the late 1990s, this optimism gave way to the conclusion that: “stand-alone, exclusively targeted micro-credit operations are not commercially viable in fully developed countries. The absence of a critical mass of customers or offsetting income from other services make it impossible to cover all costs within the bounds of a fair interest rate structure.” Calmeadow, once the largest micro-finance institution in Canada, transferred their two domestic programs to local credit unions: Toronto’s Metro Credit Union, and VanCity Credit Union (www.calmeadow.com).

Many, though certainly not all, MFIs in the developing world have been able to achieve financial self-sufficiency. This is because, according to some estimates, 95% of people in the developing world do not have access to credit. Thus, there is a far greater and more reliable potential market for micro-finance services. In Canada, however, the situation is quite different. According to one respondent, only 5% of Canadian residents are unable to access credit through traditional

financial institutions. Thus, the number of potential clients for micro-loans programs is much smaller in Canada. Research suggests that between 6,000 and 10,000 active clients are needed for a program to be financially viable (Calmeadow).

In addition, the cost per person of delivering micro-credit programs in Canada is quite high, due to higher salaries and overhead costs. For example, the average operating costs for a loan fund in Montreal in 1998 was \$52,000 for approximately 30 loans per year (Connell, 1998). Due to the high operational costs, and the smaller scale of operation than is found in developing countries, it is virtually impossible to be financially viable without charging clients extremely high interest rates.

As several sources in British Columbia and Alberta also point out, core funding is becoming increasingly difficult to obtain from donors. “There has been a marked shift away from a core funding model, which funds organizations to pursue their mission. The new model is project-based and is characterized by contracts that give funders increased control over what the organization does and how it does it.” (Scott, 2003). This has left many programs vulnerable to diminishing resources, and several in fact have been forced to close their doors.

One former practitioner cautioned, “Do not underestimate the importance of long term, external funding”. It is crucial to recognize, and to plan for, ongoing funding for operational costs. Without this external funding, micro-credit programs in Canada have not proved sustainable.

2.2.2 Program Design and Delivery

a) Delivery Models

While the group lending approach continues to be quite successful in the developing world, this approach has not been very successful in Canada, nor in other developed countries. While a few such programs in Canada have worked, they are not the norm. “The peer [group] lending model has met with little success in the West. The majority of peer lending programs have failed, leaving participants and practitioners disillusioned” (Dupont, 2002).

An assessment of a group lending program for immigrants and refugees in Norway pointed to the following difficulties:

- Lack of personal and communal networks and understanding among group members: “because group members are often strangers from different cultures and backgrounds, members find it difficult to trust and to access each other. They form the group because it is the only means to an end: a small business loan, more than they do for support and business networking” (Dupont, 2002)
- It is quite time consuming for staff to deal with group issues, from formation process to conflict resolution.

The assessment concluded that the “one-size-fits all” approach of peer lending may work better with a more homogenous customer base, but the diversity in culture, education, and experience of the [immigrant and] refugee population mandates a more comprehensive approach”. Experience in Canada echoes these findings. In order for the group approach to work, the group has to be self-forming. When a group comes together simply in order to gain access to a loan, it is likely to fail as group members have few ties to each other and may not trust or be accountable to one another.

Group formation is a time consuming process both for staff and loan applicants. People tend to prefer individual loans as the process is much simpler.

Group lending operates based on using the trust among members of a group as collateral for the loans. As an alternative but related idea, the Riverdale Community Development Corporation (RCDC) started their individual, character-based micro-lending with a condition that an advisor/supporter must appear with each applicant to vouch for the applicant and as a mentor to help them with the business. The condition was dropped when it was too difficult for people to find someone to take on what was perceived as a large responsibility.

While many people recognize the benefits of the peer support that is gained through group loans programs, it has been suggested that this type of support can be accessed in other ways such as friendships, business clubs, professional services, training, peer group programs. (Community Futures Development Corporation of Central Kootenay, 2002)

Individual lending programs, on the other hand, have been considerably more successful. Programs that have offered both group and individual loans have had extremely poor participation rates in their group lending, and some have abandoned their group loans programs altogether. The biggest reason for this is that an individual loan product can be customized to meet the needs of the individual client, rather than the group as a whole. The reasons cited for the lack of success of this approach in Canada are as follows:

- Western societies tend to be much more heterogeneous, making it difficult to build trust among strangers;
- Individual loans offer more independence and privacy to the client, thus appealing to more individualistic societies; and
- There are fewer and easier systems and procedures in individual loans applications, thus making them easier to access.

One of the drawbacks to individual loans, however, is that the delivery cost and risks remain almost completely with the lending agency, as opposed to being absorbed by the group itself.

Savings Circles have been incorporated by some organizations into their peer support programs. For example, the Calgary Mennonite Centre for Newcomers has two language-based peer support groups that also have savings circles components. These circles provide a method to encourage saving among members, and access to larger amounts of cash. They will not be

discussed further here as they are not a micro-credit delivery model per se, and were not carefully examined during the research.

b) Target Group

To reiterate, micro-credit clients are typically low-income persons who do not have access to formal financial institutions. Micro-credit “... serves best those who have identified an economic opportunity and who are in a position to capitalize on that opportunity if they are provided with a small amount of ready cash ... and who have demonstrated a commitment to repay their debts” (microfinancegateway.org).

The eligibility criteria for micro-loans is usually quite narrow. First, it is important to ensure as much as possible that applicants have the personal and financial capacity to repay the loan. Default has devastating consequences, emotionally and financially, on the defaulters, and it is important to set people and programs up to succeed. Second, people with access to other forms of credit can generally get it more cheaply through traditional institutions, and it does not make sense to set up services parallel to mainstream financial services.

It is also important to note that micro-credit is not appropriate for all people living on low incomes. Extremely poor clients may not have a stable enough income, nor the personal skills necessary to repay the loan and be successful in their endeavour. This may push them into a further cycle of debt and poverty that becomes increasingly difficult to escape. (CFDC Central Kootenay, UNCDF).

c) Loan Sizes and Interest Rates

In Canada, micro-credit is generally for amounts less than \$5,000, though some programs offer a range of loans up to \$100,000. However, once loans exceed \$10,000-20,000, they are more likely to include more traditional guarantees such as collateral and equity. Stepped loan models are often used to enable the lending institution to lend to higher risk clients, in an attempt to minimize the risk.

Interest rates vary, from close to bank prime rate, to over 10%. Rates that are higher-than-bank-lending rates are an attempt to cover the higher risk entailed in providing micro-credit.

Most micro-credit programs also charge administration or other fees, which cover membership, training or other costs. Frankiewicz suggests that “clients need to see that they are gaining something of value from their administrative fee. Otherwise, they will perceive it as just another cost of borrowing” (2001, p. 17). Often these fees are built into the loan itself.

d) Loan Purposes

The vast majority of micro-loan programs are geared for low-income entrepreneurs. The start up or expansion of a small enterprise is by far the most common use of micro-loans. Some

organizations, however, have also begun to offer micro-loans for a variety of other uses, including education (tuition and books) and housing (security deposits). A small number of organizations encountered in Canada place no restrictions on how the loans can be used, and allow the borrower to decide what to spend the money on. Generally these latter programs are aimed at assisting people with no other access to short-term credit in an emergency: their stove breaks down, they have to make an unexpected trip because of an illness in the family, a child needs special tutoring or school support, they want to move out of an abusive situation, etc. To be effective, these loans need to be immediate, and are generally in very small amounts. The opportunity to assess character and commitment to repay is much more limited, but there is no question of the need in such emergency situations.

e) Screening of Applicants and Loan Approval

Micro-credit programs are generally character-based rather than collateral-based, though some combine these criteria. In order for this approach to work, loan officers must get to know the applicant quite well. Developing a personal relationship between the loan officer and the client is a large part of the screening and guarantee strategy. Obviously, this is very costly, so a well-designed, easily understood set of eligibility criteria can assist clients with self-selection. Screening periods vary among micro-loan programs from five days to one year. During this time, the loan officer must assess the clients' commitment to the loan, their personal skills and their reliability. For small business loans, the applicants must be able to demonstrate clearly that they have carefully researched and thought through their business idea and plan. Some agencies request the client to come up with a contingency plan in case of default.

Most micro-loan programs also check the applicant's credit rating during the process. While credit histories do not usually determine whether a loan is given or not, they can provide a sense of the likelihood that the client will repay a loan. It is important to explore with the client the circumstances around the causes of a poor credit rating.

During the screening period, the client must also fully understand the terms and conditions of the loan, in order to make an informed decision. Alberta Women's Enterprise Initiative Association (AWEIA) stressed that self-screening processes must be built in so that clients decide for themselves whether taking out a loan is the right decision for them. The women must "own the process" of planning for their business and receiving the loan to make it succeed. Each contact with AWEIA during the loan approval process ends with a commitment on the part of the applicant to take next steps in the process; this builds her confidence and increasingly invests her in making the business succeed. She controls the process; if she decides to stop, then the process stops.

From the first contact with the client, the loan officer must stress the fact that the client is receiving a loan (not a grant) and that it must be repaid. RCDC emphasized that the seriousness and obligations of a loan must be underlined in the first meeting, so that there is no doubt about the procedures. Maytree Foundation, because of their very quick approval rate, builds in a lower monthly repayment amount even during training, which is increased on completion of the upgrading/training program. AWEIA doesn't extend credit unless it is based on a demonstrated potential to increase the client's income so that she can repay.

The following are “red flags” for small business lending noted in a memo by Sergei Sawchuk, a former Metrofund loan officer, and cited in Frankiewicz, 2001:

“Be wary of loan applicants who:

- Are in a hurry to get a loan and fail to fill their application in full. If they don’t have the time to fill in their information properly, nor have the patience to wait a few days, then maybe they need the money for something other than business purposes.
- Have poor credit histories and have done little to rectify their situation (i.e. they may have a loan in collections or written-off, but if they are making payments then it shows that they are assuming responsibility).
- Lack a stable residence. There must be a place to run the business; if applicants move around too much, then their business can’t be stable.
- Have references (landlords, etc.) that are difficult to get a hold of. For organizations that do character-based lending, it is important to talk to others to verify what is stated on the application.
- Have not disclosed their true credit position on the application. The most direct way to judge the honesty of the applicant is to compare their application to their credit bureau report – there should be very few differences.
- Fail to present any business records when applying for repeat loans. For first loans, one can be flexible in terms of records requested, but for each larger subsequent loan the clients should become more serious about their record keeping.
- Cannot provide identification and other supporting documentation.”

f) Default

In order to manage loan delinquencies, many micro-credit programs use a variety of mechanisms. Many employ a strategy that evolves from “friendly and supportive to debt collection with penalty” (Churchill, 1999). When a client defaults the first time, the loan officer is often very helpful and supportive to help the client resolve the problem. If the client continues to default, the organization will eventually use the full force of the law to collect on the loan, even if the cost of collections outweighs the amount outstanding.

RCDC advised that formal collections procedures need to be written up and explained to the client during the initial meeting. RCDC stressed that missed payments must not be allowed to slide – if one client defaulted without ramifications, the whole loan program would collapse in short order.

Micro-credit agencies generally depend on quick notification of default by their banking institution to help them ensure proper support and follow-up with clients experiencing difficulties. AWEIA has a policy of following up on a missed payment the very next day.

RCDC has a weekly report from Metro Credit Union which notifies RCDC of defaulters and that a first collections letter has been sent out. RCDC follows that up with a phone call to find out the problem. If there is a crisis then RCDC works with them to resolve it, either by giving one month's grace, by rescheduling the loan, or by changing it to smaller more frequent payments. Quite often, a default requires a visit to discuss the issue. For tougher cases, the Metro Credit Union has three letters in ascending order of seriousness, and then if no progress, a collections agent is used.

RCDC and MCC ED are linked to credit bureaus, and AWEIA uses Equifax as a credit rating tracking company, so a default on the loan becomes part of the client's credit history. Similarly, good repayment histories are reported to the credit bureau in order to help build, or rebuild, the clients' credit rating.

g) Ongoing Support and Training

Ongoing support to the client is necessary in order to increase the chances of succeeding. It is important to be as supportive as possible, within the constraints of time. Support can be provided through: site visits, one-on-one coaching, training, group support, and referrals to other resources. (CFDC of Central Kootenay, 2002). Business training in particular is viewed as crucial to the success of micro-entrepreneurs.

AWEIA focuses on providing resources to women and building their confidence with small successes and decisions that hold them accountable and keep them focused on how they will succeed. They provide many different services so that women can choose those that are personally relevant. Each client is assigned a business coach who is responsible for keeping the information flowing and holding the client accountable.

AWEIA considers that perhaps their most useful resource is a database of everyone who has ever contacted the agency for a loan, including a description of the business. A new client with a business idea can then be linked to someone with a similar business in a different location who wouldn't be in competition because he/she has a different client base. There are both links to other loan recipients as well as links to currently successful business owners who can act as mentors. These linking activities build pride and leadership among the loan recipients, and ensure they have access to practical advice and support. The database also contains information about community services and other financial and advisory agencies that can help in particular situations.

h) Flexibility and Accessibility

For a loan program to be successful, it is critical to identify the target group, and to design the loan product to meet their needs. "Offer the right product to the right client, at the right time" (Churchill, 1999). This includes loan size, repayment period, and repayment frequency. RCDC has found that having only one product (loan type) is very limiting, as people have many

different reasons for accessing credit, and the market for only one type of credit is quickly saturated.

In order to reduce barriers to clients accessing loans, it is important to simplify procedures and write all applications and information in plain language that is easy to understand. When application procedures are complicated and difficult to understand, clients may become quickly overwhelmed, and give up on the process. It is also crucial that the client understands all the terms and conditions of the loan, so that they are fully aware of their responsibilities.

AWEIA advises programs to “systematize, systematize, systematize”. This makes loan administration easier and information clearer for clients. The loans policies must be in place first, before any marketing or other work is done, so that clients receive timely, clear and consistent answers to their questions.

Still, several organizations have adopted a “learning by doing” approach in which they continue to modify and improve upon their procedures as they go along. In order to continue to better meet the needs of the clients, organizations engage them in an assessment of the process, and solicit their feedback through evaluation forms, interviews, focus groups, and other methods (CFDC Central Kootenay, UNCDF).

i) Partners

Micro-credit agencies tend to have many partners: for training and support, marketing and referrals, or for providing financial/banking services. Partnerships for training and support mean that scarce resources are not spent duplicating services provided elsewhere. Partnerships with organizations currently serving your target group can ensure that the target group is aware of, and can appropriately access, the full range of services available. Partnerships to provide financial/banking services help with loan administration, financial transactions, notification of defaults, delinquency collections services and in some cases, loan guarantees. In order to keep operational costs to a minimum, it is necessary to capitalize on the skills, expertise, and infrastructure of existing organizations.

Clearly understanding potential partners’ visions, values, mandates, operating philosophies and interest in partnership is key to making a partnership work. It is important to set out clearly defined roles and responsibilities, and communication systems early in the process.

j) Human Resources

According to the CFDC of Central Kootenay, funding for a minimum of a 0.5 Full Time Equivalent position is required to manage a program that disbursed between 25 and 30 loans per year. This does not include the administration of the financial and legal papers associated with the loan (2002).

Several practitioners suggested that program staff should have a mix of social development and business skills in order to balance the sometimes competing goals of micro-loan programs. Other necessary skills include: small business experience, community organizing, advocacy, credit analysis, lending, group dynamics, marketing and public speaking (Dupont, 2002). Morgan suggests that organizations “Recruit staff from the population you desire to service to function as ‘bridge-builders’. Involve these new recruits in the development and in the adaptation of the programme” (2002). Frankiewicz suggests that it is essential that program staff should be “...committed to the program and to people in general, [and be] able to relate easily and well to the target population” (2001, p.24).

A knowledgeable, skilled Board/Committee is important to the success of any program. Assess the skills required for your board (e.g., lending, legal issues, accounting, fundraising, etc.), and recruit members who have these skills. AWEIA suggested that having key people on the founding committee who have varied experience and real commitment to the target group and/or micro-credit increases the chances of success.

k) Marketing

Marketing the loan program effectively is critical to the success of a program, and accounts for a large portion of start-up costs. Marketing to agencies serving the client population is very effective, so long as they have access to complete information about what is being offered, and are updated on any changes. A website can also be effective for ensuring that correct and up-to-date information is available. Other means of marketing a program include: paid advertising, town hall meetings, speaking engagements, posters, and pamphlets. Word of mouth from satisfied clients is often the most effective means of marketing the program.

It is also important to carefully consider the message in the promotional materials. Calmeadow Metrofund found that marketing their loans as a poverty alleviation tool worked well with start-up businesses, but was less successful for those already running a small business who did not want to be seen as poor (Frankiewicz, 2001).

Several programs publish profiles of successful clients through local media, newsletters and agency publications. Successful client profiles are often published in the human interest section of the paper, and paint a picture of the target client for the public. AWEIA uses client recognition (inviting local dignitaries to openings of new businesses, publishing in press and newsletters) as recognition, an additional incentive for the new business owner and as promotion and marketing to attract more clients for the new business owner and for AWEIA. Frankiewicz notes that “newspaper articles written about Metrofund proved to be more effective and less expensive than general advertisements in the same newspaper. Not only did they generate more inquiries, but they improved Metrofund’s legitimacy and provided a more comprehensive profile of the organization than general ads” (2002, p.36).

3. RATIONALE AND NEED

3.1 Rationale

3.1.1 Women and Micro-finance in Developing Countries

Though the exact numbers are difficult to obtain, according to some estimates, women account for nearly 74% of the world's poorest people now being served by micro-finance institutions (Cheston and Kuhn, 2002, p.5). The experience from micro-credit programs internationally has shown that small amounts of credit can have a tremendously positive impact on women and their family.

According to the United Nations Capital Development Fund, micro-credit for women in developing countries and countries in transition is vital because:

- “Women make up a disproportionate percentage of the poor, with the poorest households relying more heavily on women’s income.
- Women’s access to micro-finance not only benefits women but also their families and communities, by generating:
 - o Increased income, awareness, and bargaining power for women;
 - o Increased resources available to the family for investment in nutrition and education;
 - o Growth in local economies through local increases in women’s spending; and
 - o An expanded view in the larger society of social and economic norms that relate to women.
- Women’s multiple roles mean that their goals, needs, and constraints are often distinct from men’s, translating into distinct patterns of loan use, repayment, and saving, thus requiring different services.
- Women’s access to micro-finance is not automatic, nor are the benefits they can derive from it. Both necessitate gender-sensitivity and innovation in the design and delivery of micro-finance products and services” (UNCDF).

While it has come to be accepted almost as a panacea in developing countries, little research has been done on the long-term benefits of micro-credit for women in the developing world. As Linda Mayoux points out however, “Some women do undoubtedly benefit substantially from some programmes, increasing their incomes and using this to raise their bargaining power and their status in the community. It is impossible to say for how many women, or in which contexts, this is occurring, but success stories are found” (1999).

3.1.2 Women and Micro-credit in Canada

While there is an abundance of literature on micro-finance and women in the developing world, little such research exists in North America.

The Sustainable Livelihoods Framework, developed by the Institute of Development Studies has been adapted by Janet Murray and Mary Ferguson to apply to Community Economic Development programs on behalf of Canadian women. It examines how to develop lasting assets that are essential to a women's transition to self-sufficiency. These asset areas include human, financial, social, personal and physical assets, and provide a more holistic model for considering the supports necessary to achieve success, as defined by the women themselves (Murray, J. & Ferguson, M., 2001).

In Canada, some immigrant women face many barriers to developing financial independence. These barriers may include: language, culture, isolation, citizenship status, proportionately higher burden of care for family members, inability to get Canadian accreditation for past professional training/experience, high cost of re-training, lack of credit rating, difficulties accessing appropriate information/programs, and long hours in low paying jobs.

The Sustainable Livelihoods Framework suggests that, "A livelihood is more than a job or income generating activity. Women's livelihood strategies facilitate the development of their assets and capabilities, supporting them to move beyond basic income generation towards increased economic resiliency" (Murray, J. & Ferguson, M., 2001). This would suggest that an integrated, holistic approach is needed to meet the needs of women, and assist them to tap into their potential, and to flourish.

3.1.3 Immigrant Women and Micro-credit in Calgary

In Calgary, the number of immigrants continues to grow. In 2001, 197,410 Calgarians were born outside of Canada (one fifth of the total population). The proportion of female to male immigrants has also been consistently higher in the past 20 years. In 2002, 51.5% of new immigrants in Calgary were female, 73% of whom were between the ages of 18 and 65 (Immigration Fact Sheet, 2003).

Because of changes to Canadian immigration policy, most new immigrants are now professionals and skilled trades people. In fact, the majority of immigrants applied under the Skilled Worker Class (53%) or the Family Class (30%). 53% of new immigrants between the ages of 25 and 44 have a university certificate, diploma, or degree (Fact Sheet, 2003).

Many immigrants face difficulty finding employment in their fields of expertise because of the current system of accreditation for past education and training, their English language levels, discrimination, and/or their understanding of the working environment here (Prefontaine, J.P. & Benson, A., 1999). Consequently, many new immigrants and refugees end up in minimum wage or low-paying jobs, or on social assistance. They have often come to Canada to achieve the dream of better futures for their children, but are often trapped in a frustrating cycle of very low

income work that requires many hours a day, and have great difficulty achieving financial self-sufficiency.

Access to loans for immigrant women could not only help the household to improve their self-sufficiency, but also help women to realize their dreams and aspirations. Whether used to support Canadian accreditation or upgrading, or to support a small income generating enterprise, credit could help women to break out of this cycle of frustration and poverty.

The following section outlines the needs identified by immigrant women themselves throughout the course of the research.

3.2 Need

3.2.1 Immigrant Women’s Dreams and Aspirations

During focus group interviews with immigrant women in Calgary, the researchers spoke with women who were single, married, with and without children, some women who were just starting out, and others who were retired. Some women had been here for a few months, and some for many years. Most had at least some post-secondary education. A few women have small home-based businesses, or had been businesswomen in their countries of origin. Many women held professional positions in their home country.

The women interviewed had many dreams, and many things they would like to do to improve their lives, if money was available. These related to business start-up or expansion; upgrading, accreditation, or furthering their education or English skills; buying their own home; and travelling and/or spending some money on themselves or their children. There was a range of dreams, representing the range of realities immigrant women face. The box below provides a summary of the dreams, in no particular order, identified by women in the focus groups:

Immigrant Women’s Aspirations	
<ul style="list-style-type: none"> • Get a professional job <ul style="list-style-type: none"> - Librarian - Herbalist - Electrical Engineer - Language Teacher • Open Businesses <ul style="list-style-type: none"> - Grocery store - Restaurant - Coffee Shop - Dental Clinic - Art Gallery - Day Care - Travel Agency • Own home • Save money 	<ul style="list-style-type: none"> • Education <ul style="list-style-type: none"> - Upgrading/training - Graduate School • Take Courses <ul style="list-style-type: none"> - English courses - Floral Design courses - Painting courses • Hobbies <ul style="list-style-type: none"> - Travel - Buy and read books • Open Home Based Business <ul style="list-style-type: none"> - Music school - Hair Salon - Pastry shop

3.2.2 Barriers to Accessing Credit

The immigrant women in the focus groups identified a number of barriers to accessing credit. Some of these barriers were:

- their low level of English, and a fear of not understanding the fine print;
- the cost of borrowing, including high interest rates;
- the stringent conditions of a loan, including repayment schedules;
- for new arrivals, a lack of a credit history in Canada;
- a lack of assets to provide collateral;
- low incomes, either from salaries or a fledgling business; and
- a general perception that “we won’t meet requirements”.

3.2.3 Demand for Micro-Credit

Some of the women were interested in accessing loans, if such a program existed. Their interest was dependent on favourable loan conditions: specifically interest rates, conditions, and repayment period. Very clear information about the loans and expectations would need to be provided so that women could decide whether or not the loan was worth it. The loan would have to be provided in conjunction with other support. Some women said they would not consider borrowing money as it would not be culturally appropriate, would add stress to them and their families, and that the risk is too high.

3.2.4 Need for Additional Supports

In addition to loans, immigrant women suggested that they would need the following supports:

- **Peer Support and Networking:** A place to meet regularly with others to build connections, share problems and fears, encourage each other, help solve problems, and to support each other to succeed.
- **Training and Workshops:** Workshops might include a variety of topics such as problem solving, time and stress management, team building, money management, how to manage a family in Canada.
- **Business Development Training:** For those interested in starting a small business, a wide variety of business development issues, from marketing, business planning, accounting, legal and tax issues, permits and zoning information, security tips/issues for home based businesses.
- **Mentoring:** An opportunity to work with or talk with someone in the same sector to provide advice and support – a business mentor.

- **Referrals:** Access to information about other organizations and resources that would meet their various needs.
- **Coaching:** Someone to help them through the process, outline what steps needs to be taken, refer them to other sources of help, provide advice, encouragement and support. Help with a business plan, including help with costing a business, choosing location and assessing the risks involved.
- **Information:** Clear information about a variety of issues, including credentials needed to obtain employment in their field of choice.
- **Childcare:** Some form of childcare, perhaps a drop-in centre, or referrals to reliable babysitters. The childcare could be on an exchange basis, possibly by barter.

3.2.5 *Service Providers*

As part of our research, several service providers in Calgary working with immigrant women were interviewed. Representatives from the following six organizations were interviewed:

- The Women’s Centre
- Calgary Mennonite Centre for Newcomers
- Calgary Immigrant Women’s Association
- Calgary Catholic Immigration Society
- Women in Need Society
- Making Changes

All of the representatives saw a need for a micro-credit program for immigrant women. It was suggested that many women would be more comfortable in women’s only groups, and that it would be easier to build trust and support among women’s only groups. Some also pointed out that such a need also exists among immigrant men, as well as among Canadian-born women. All of the service providers from immigrant serving agencies felt that although women do have some unique needs, there is an equal need for credit among both men and women.

While immigrant women do have particular micro-credit needs, there are mixed opinions on whether a program should be devoted exclusively to them. UNCDF argues that, “the ultimate goal, where culturally permitted, should be the full participation of both women and men in mixed-gender programmes that provide equitable access to savings and credit facilities. Some organizations start by focusing on women and extend services to men once they have been successful in establishing permanent outreach to women in the community” (2002, p.27).

The needs identified for loans were primarily: education, upgrading or accreditation, and for self-employment or group enterprises. One service provider suggested that because of changes in Canadian immigration policy, an increasing number of immigrants are highly skilled professionals who are less interested in starting their own businesses than obtaining full time employment in their fields of choice. Thus, loans to support individuals to become accredited in

Canada would be very useful for this group of immigrants. In contrast, another service provider suggested that because many immigrants have difficulty finding jobs in their professions, starting their own businesses is often a good alternative to low paying, unskilled jobs. Some of her clients have recently expressed interest in opening up the following small businesses: a café, a day care, and an alteration shop.

The need for additional training and support for women was also repeated time and again. The following supports were identified as necessary for women receiving loans:

- Business development training
- Skill building: team work, communication, money management
- Social support, peer circles
- Referrals to additional resources
- Savings component
- Flexibility in the program to meet the specific needs of women.

While most of the representatives felt that peer support programs would be useful for women to build their support system and reduce isolation, one person cautioned that women often juggle many responsibilities, and mandatory peer sessions might be more burdensome than beneficial.

Many of the service providers suggested that the loans process and procedures would have to be extremely carefully and clearly explained to women, so that they know what they are getting into, and can make an informed decision about whether or not to apply for a loan.

All of the service providers were interested in playing some kind of a role in a micro-credit project, from partnering to providing training, to referring clients to the program, and wish to be kept informed of the project as it progresses.

3.3 Current Micro-Credit Programs in Calgary

At present there are two micro-credit programs in Calgary: MCC Employment Development, and Alberta Women's Enterprise Initiative Association. While both of these programs are open to immigrant women, neither of them are geared specifically toward immigrant women. Below is a brief overview of the programs – more detail is provided in the descriptions of all the micro-credit programs, in Appendix B.

3.3.1 MCC Employment Development

MCC Employment Development (MCC ED) offers four credit products in Calgary:

1. micro-loans for start-up and expansion of businesses;
2. tools for trades;
3. micro-loans for entrepreneurs with disabilities; and
4. loans for security deposits for those at risk or homeless.

MCC ED also has a matched savings program offered in partnership with Human Resources Development Canada (HRDC) to enable low income people to save for education or housing purchases.

They process about 1,500 clients per year in all four loan programs, and their clients are fairly evenly split among between men and women. They do not have a special program aimed at immigrants, or at women, but have conducted special women-only sessions in partnership with other organizations. They have enough access to capital for business loans and are interested in expanding their current client base.

MCC ED has many partners and is open to the idea of exploring different ways to deliver their programs. For example, the Calgary Mennonite Centre for Newcomers (CMCN) is one of their partners, and has a program with groups of immigrant women based on their country of origin who follow MCC ED's money management training and set up their own savings circles. MCC ED currently receives referrals from all of the large immigrant settlement agencies, and does outreach seminars in each of them, as well.

MCC ED has been offering micro-loans to business for seven years; loans to entrepreneurs with disabilities for one year; security deposits for four years; and loans for tools began this year. With continued experience, they feel their administration of the loans is increasingly effective and efficient.

3.3.2 Alberta Women's Enterprise Initiative Association

The Alberta Women's Enterprise Initiative Association (AWEIA) is based in Calgary and Edmonton. They offer loans for business start-up to a maximum of \$100,000, and their average loan size is \$25-30,000. Their long-term vision is to be able to help women with both large and small businesses, and to impress on the business world that women are serious business people. Their core funding comes from the Western Economic Diversification Canada.

Clients access one-to-one business coaching, develop a business plan, and then receive a loan if there is a strong business case. Their approval process is based on feasibility of the business idea, a 10-25% equity contribution to the business, and a belief in the personal and financial capability of the applicant to succeed.

At this point, immigrant women are not a significant part of their client base. AWEIA is open to partnerships, as long as those partnerships fit with their core business, which is providing loans to women who are serious about business and have the capacity to make it work.

3.4 Conclusion

Based upon the research conducted, it appears that there is a need for a holistic, integrated program that meets the unique needs of immigrant women in Calgary. These needs include:

- Loans for a variety of uses beyond small business development, most specifically, education, training, upgrading, accreditation.
- Training and workshops in a variety of areas to increase women's skills, capacity and confidence.
- Clear, accessible information regarding the loan process, as well as other services and supports they might utilize.
- A peer support system to reduce isolation and provide a forum for women to support one another in their shared experience of making a new life in a new country.

Currently, there is no such program being offered in Calgary that brings these four components together for immigrant women. Both MCC ED and AWEIA provide some of the supports and services required by immigrant women, however neither program is currently meeting all of these needs, particularly those concerning support networks, and more flexibility in the purpose of the loan.

Thus, while focusing on providing opportunities through credit, there is a need to examine and help to build other assets in immigrant women's lives, as they face special circumstances as newcomers to Canada. There is interest in such a program on the part of immigrant women and there are a variety of skilled and experienced organizations that are open to new partnerships in this area.

4.0 PROGRAM OPTIONS AND FEASIBILITY

4.1 Introduction

While the needs for loans are as individual as women themselves, we have grouped potential loan products into four broad categories. The options are set out below, followed by a discussion of their feasibility.

The most important point related to feasibility is the assumption that enough funds can be raised for both start up costs and ongoing, longer-term operational costs. This being the case, the following informal criteria were used to assess feasibility of the various options:

- Addressing identified needs;
- Financial viability;
- Availability of partners;
- Non-duplication of services;
- Record of success elsewhere;
- Impact on women's livelihoods.

4.2 Potential Micro-Credit Products

4.2.1 Accreditation/Upgrading/Education Loans

A program that offers loans for accreditation, upgrading, and education does not currently exist in Calgary. Modeled after the Maytree Foundation and Mosaic International's new program, such a micro-loan program could assist immigrant professionals and skilled trades people to get the accreditation or upgrading necessary to find employment in the field they worked in before arriving in Canada.

Loan amount:

- Micro-loans between \$500-\$5000 would be offered to immigrant women over a two-year period to cover tuition or exam fees, and books.
- The loan amount would be paid directly to the financial institution where the client is enrolled/registered. The client is responsible for ensuring registration.

Criteria for accessing the loans:

- Working competency in English;
- Underemployed or unemployed;
- Low-income, on Social Assistance or Employment Insurance;
- No credit rating;
- Proposed program is recognized, has a good record of employability on graduation, reasonable tuition, and is related to the immigrant's previous experience/profession;

- The client can demonstrate that her earning potential will be increased on completion of the program.

Interest and Repayment:

- Interest rates to be calculated on further discussions with Maytree and Mosaic, but in the range of prime + 5-6%. Clients will also be responsible to pay for insurance on the loan;
- Beginning repayment on interest only starting in the first month;
- Three month grace period of continuing interest payments only on completion of the course/exam;
- Repayment of capital and interest begins three months after completion (with the idea that clients will have had time to find a job).

Support Services:

- Information about loan program and consequences of default;
- Administration of loan applications;
- Directing clients to appropriate training/upgrading programs;
- Directing clients to other/cheaper avenues of credit if they qualify there;
- Ensuring at least monthly contact to encourage client, see how things are going;
- Directing clients to additional job search assistance seminars and support services;
- Following up on repayments;
- Assisting clients to fill out relevant forms;
- Linking to credit rating service;
- If interest exists, a support group could be established.

Feasibility:

This micro-credit product is not currently offered in Calgary, and is needed according to our discussions with immigrant women. MCC ED is interested in expanding the types of products they offer. As this model has been piloted successfully in Toronto and is in the process of start-up in Vancouver, a new program could be built on the experience of others.

The Maytree Foundation has lent out \$87,000 over the past year and a half, so it can be assumed that a similar program would require a start-up loan fund of approximately \$100,000. Based upon Mosaic International's estimated start up costs for an in-house program, between \$60,000 and \$80,000 would also be required for salary, rents and administration costs/year, though that would depend on partnerships and expansion. Opportunities for some funding to contribute to either the loan fund or the administration/start-up of the project may be available from provincial and/or federal immigrant integration or employment initiatives.

4.2.2 *Small Business Start-Up and Expansion/Tools for Trades*

Small business start-up and expansion has been the traditional focus for micro-credit, as the success of the business generates the income necessary to repay the loan. In Calgary, two programs currently exist that supply this product, and these programs are willing to partner to better meet immigrant women's micro-credit needs.

Loan Amounts:

- MCC ED offers loans between \$500 and \$20,000 to individuals who qualify, with an average loan size of \$3,500;
- AWEIA offers loans between \$1000 and \$100,000 to women who qualify, with an average loan size of \$25,000-30,000;
- In some cases the loan amount may be paid directly to the provider of goods or services – depending on the purpose of the loan.

Criteria:

- MCC ED:
 - Low income, on social assistance or employment insurance;
 - Viable business idea;
 - Personal capacity and motivation to make the business succeed;
 - Mandatory participation in training programs of some sort.
- AWEIA:
 - Viable business idea,
 - Personal and financial capacity and motivation to make the business succeed;
 - 10-25% of the total loan amount in equity to invest in the business.

Interest and Repayment:

- MCC ED: 4% administration fees, and prime + 1-1.5%;
- AWEIA: prime + 2-4%;
- Repayment schedules are determined according to the loan – AWEIA recognizes that businesses often lose money in the first two years;
- Both agencies take default very seriously. MCC ED's default rate is between 4-6%, and AWEIA's default rate is 7%.

Support Services:

- MCC ED offers one to one coaching for new businesses, plus a wide array of training and support programs, all for free. AWEIA also offers free one to one coaching for new businesses, and a wide array of training and support programs for a fee;

Feasibility:

Micro-loans for small business start up and expansion are currently offered fairly comprehensively in Calgary. ANIW's role could be to offer the additional supports needed by immigrant women to access these available programs, or other programs through traditional lenders, by offering translation services, explaining the programs and their differences clearly and completely, referring appropriately, and following up with the client or group of clients and with the agency or lender.

ANIW could also set up an immigrant women's peer support group, and refer clients to specialized services and training seminars, either with MCC ED and AWEIA, or with immigrant serving agencies, mainstream agencies or the banks/credit unions.

Assuming that MCC ED and/or AWEIA's loan funds can absorb additional demands on them, the costs of such a program would be limited to start-up and ongoing operational costs of perhaps \$60,000/year.

4.2.3 Emergency Loans

These types of loans are designed to assist people on low incomes or social assistance without access to other sources of short-term credit in an emergency. MCC ED has a micro-loan program that covers first and last month's rent for people who are homeless or at risk of homelessness. The December 6 Fund in Toronto offers small loans to women leaving abusive situations. Loans are used for rent deposits, moving expenses, hydro or telephone deposits.

Loan amount:

- Micro-loans would be offered between \$500-\$1000 over a short term.
- Loan amounts are paid directly to the service provider or supplier.

Criteria for accessing the loans:

- People with low-income, on social assistance or employment insurance;
- No credit rating or a bad credit rating;
- Previous record of repayment of loans from the program;
- Membership in a peer support group;
- Experiencing some sort of emergency (to be defined);
- Inability to access any available grants.

Interest and Repayment:

- Interest rates of approximately 10%;
- Beginning repayment within first month.

Support Services:

- Information about loan program and consequences of default;
- Administration of loan applications;
- Directing clients to appropriate training/upgrading programs;
- Ensuring at least monthly contact to encourage client;
- Following up on repayments (which would potentially be much more time-consuming as clients may not have telephone);
- Referring to other resources (grant programs, counselling, etc.)
- Linking to credit rating service.

Feasibility:

Some social services and charitable organizations offer short-term assistance to clients in crisis, these usually come in the form of grants. Micro-credit for emergency situations does not appear to be currently available in Calgary, except for MCC ED's housing program. Instead, pawnshops or cheque cashing establishments are more commonly used to fill this gap. Newcomer women may not have access to either cheques or something to pawn, and the high interest rates demanded by these companies make these services less than desirable.

Micro-credit for emergency situations may be a credit service that ANIW could offer after clients had built up a track record with previous micro-loans, and had been part of the program long enough for the loans officer to be familiar with their character and likelihood of repayment. It may also be a good reason to offer women membership in a savings circle, as a precursor to offering peer lending, if women were interested in that option. Assuming that emergency loans would be quite a small portion of the overall program, a revolving loan fund of anywhere from \$10,000 - \$20,000 might be appropriate, and \$60,000 - \$80,000 in salary and overhead costs.

A cautionary note is that loans for women who are in crisis may create more of a burden for the woman, and do very little to change the situation in the long term. In addition, the default rate is potentially much higher with this type of loan, and much more study would be required to be able to offer this product successfully, and in a way that would make a difference in women's lives.

4.2.4 Unrestricted Loans

These types of loans are designed to assist people on low incomes or social assistance. The clients themselves define the purposes of the loans. The Circle of Habondia Society in British Columbia is based on the peer lending model and offers loans up to \$1000 to women that can be used on anything. It is important to note that the peer circle met for two years before any loans

were offered, in order for the women to get to know each other, and build trust. This program is entirely volunteer based.

Loan amount:

- Micro-loans would be offered between \$500-\$1000 over a short term. Stepped loans could be offered, minimizing the risk of default.

Criteria for accessing the loans:

- People with low-income, on social assistance or employment insurance;
- No credit rating or a bad credit rating;
- Good repayment of previous micro-loans;
- Membership and regular participation in a peer support group or in a savings circle.

Interest and Repayment:

- Interest rates of approximately 10%;
- Beginning repayment within first month.

Support Services:

- Information about loan program and consequences of default;
- Administration of loan applications;
- Directing clients to appropriate training/upgrading programs;
- Ensuring at least monthly contact to encourage client, see how things are going;
- Following up on repayments
- Linking to credit rating service.

Feasibility: This may be another credit service that ANIW could offer after clients had built up a track record with previous micro-loans, and had been part of the program long enough to be familiar to the loans officer. This may also be a product that could be offered once women (and the program) had experience with savings circles and were ready to move to peer lending. Again, assuming this would be a small part of the loan fund, between \$10,000 and \$20,000 would need to be raised for the loan fund, plus salary and overheads. This is perhaps the most risky and least proven of all of the possible loan products, and the least likely to improve a woman's livelihood.

4.3 Program Options for Calgary

Based upon the research conducted, there are four of options for delivery of micro-loan programs for immigrant women in Calgary.

4.3.1 *New Stand-Alone Program*

ANIW could set up a stand-alone program that offered a variety of loan products, as well as training and other supports for women. This would require their own loan fund as well as staff to provide training and administer the loans. This program would necessitate raising the funds for a revolving loan fund and depositing that fund in a major bank or credit union for direct lending to clients. A pre-authorized payment system could be set up with the financial system to draw payments directly from the client's account on a preauthorized date, and a certain number of auto-retries would be set. ANIW would be notified of any defaults and could begin follow-up immediately.

Feasibility: This option is not considered feasible as start-up costs would be considerable, and setting up the loan administration, finding the right clients, marketing the program, etc. for micro-loans would be time-consuming and difficult. Equally important, ANIW has no previous experience in this area nor the infrastructure to support such a program at this time.

4.3.2 *Partnership with Local Financial Company (Bank or Credit Union)*

ANIW could potentially set up a partnership with a local bank or credit union for them to manage the loan fund, and the ANIW would provide loan procedures, approval and training. ANIW would raise 20% of the loan fund as a guarantee, and leverage that against a loan from a financial institution to lend to clients.

Feasibility: This option is perhaps the least likely to succeed. Currently, there are a number of obstacles to banks or credit unions entering into new relationships of this type.

Loan loss ratios of 5-10% (the average micro-loan loss rate) are 10 to 15 times the usually accepted rate of loss in commercial lending. Both VanCity in Vancouver and MetroCredit Union in Toronto offer micro-credit programs. However, they are such large institutions (VanCity is the largest credit union in the country, and MetroCredit Union is one of the 15 largest) that they are capable of absorbing these loss ratios. Also, credit unions tend to have different profit motivations than large banks and so are more flexible and more likely to entertain social returns on investment as a success factor. There may be an option with Western Economic Diversification Canada to set up a loan loss guarantee, but currently they are directly funding revolving loan funds, rather than loan loss guarantees. Finally, the current banking profit margin is shrinking as a result of mortgage rate wars among the large banks and the decline in stock markets, so it is less likely that a banking institution could be found that would fund such a project out of its profit margins.

Even if a non-profit organization were to carry out much of the administration of a loans program, it would still require a large amount of time on the part of the bank or credit union.

Currently such partnerships do not exist in Calgary. MCC is in negotiations with First City Savings and Credit for some type of micro-credit project, and First City is not interested in looking at two such partnerships at this point. Key Savings and Credit does not see the feasibility for this type of a partnership/program at this time, but would be interested in hearing more about models that work elsewhere. The Royal Bank of Canada, and quite likely any large financial institution, would be receptive to saving, debiting and crediting the loan fund, and setting up the pre-authorized debit system, but they are not receptive to the idea of a leveraged loan fund.

4.3.3 Referral Program

Rather than setting up a new loan fund or product, ANIW could hire a staff person to serve as a coach or advocate for women interested in accessing credit and establish a peer group. The staff person would walk the women through the loan procedures and training programs of other agencies or financial institutions and refer them to appropriate resources as necessary. ANIW could partner with other agencies, including MCC ED, to provide training to the group members. A key component of this program would be the formation of a peer support group, in which members would meet regularly to provide support and encouragement to one another. Training sessions tailored to the needs of the participants could be provided, as part of the peer group process. This program could perhaps be housed in ANIW's offices, or in another appropriate agency.

This type of program could also involve working with ethno-cultural associations to build their capacity to serve as "advocates" to help women to access credit from mainstream and other agencies. Such a program would require a great deal of knowledge of what services are being offered, and close relationships with these agencies and institutions.

An advocacy component could also be included, in which the staff person would work with financial institutions to ensure that barriers to immigrant women are reduced to the greatest extent possible.

Feasibility: This program would have the advantage of starting small, and would focus on helping immigrant women overcome the barriers they encounter in order to access currently existing micro-credit programs. Because ANIW would simply be helping women access available credit, in the initial stages, there is not likely to be a requirement for raising the capital for a loan fund. It would require a part-time person and overhead costs, approximately \$35,000 per year, plus training costs, depending upon the identified needs of participants. Partnership agreements would need to be negotiated with not-profit agencies that have existing loan programs, and depending on the numbers of women being referred, these agencies may require some contribution to their loan funds over the long term to cover the increased demand for their services.

This type of program would not address the needs of women who require loans for purposes other than small businesses, unless they are eligible for loans from financial institutions, and only require assistance in accessing a loan.

4.3.4 New Tailored Loan Program

ANIW could initiate a program that would provide a combination of support services and a variety of loans for immigrant women.

This option would require developing partnerships to increase immigrant women's access to existing loan and training programs and to develop new loan programs (e.g. for upgrading/accreditation, peer lending programs, etc.). It would make most sense if this new loan program were housed within another agency, preferably one that is currently offering loans, to take advantage of existing systems and expertise in this area, and of a location already frequented and easily accessible to immigrant women. This would also help to keep operating costs down by maximizing on existing infrastructure.

Feasibility: There are a number of potential partners for this type of program. The most likely partner would be MCC ED because of their extensive micro-credit experience, and willingness to expand their client base as well as the types of loan products offered. The program could also be strengthened by a partnership with AWEIA in order to access its networks, bigger loans for larger businesses, and training programs. As well, the Walk-In Closet, Making Changes, and immigrant serving agencies such as CIWA, CMCN, CCIS, and other agencies could provide access to their support programs, and play a key role in marketing the program to their clients.

In this case, funding would be needed to set up the loan fund entirely or in partnership (approximately \$100,000, to be topped up periodically), and for the ongoing operational costs of this project (staffing, training, rent, etc., approximately \$60-\$80,000 annually). One full-time staff person would likely be necessary to coordinate the support network, training, referrals, loan applications, etc. for the women.

4.4 General

4.4.1 Delivery Models

As discussed in Section 2.1, there are two main micro-credit delivery models available: peer and individual lending. The individual lending model appears to have been much more successful in Canada, and thus this model should be followed, unless a clear need for peer lending is identified at some point in the future. Depending on the preferences of the members, savings circles could also be established among the peer groups.

4.4.2 Loans Officer

The success of this project will depend heavily on the motivation, knowledge and skills of the loans officer. She needs to be committed to helping immigrant women succeed, particularly those who face significant barriers and are from low income households, and to this program. She must have a comprehensive knowledge of banking and micro-credit, and be willing to spend a lot of time researching and updating her information on currently available programs. She must also be a skilled negotiator, able to develop and maintain partnerships, a good judge of character, and an advocate who can access appropriate mainstream programs for her clients.

5.0 CONCLUSIONS AND RECOMMENDATIONS

Based upon the research conducted, it appears that:

Need

There is a need for micro-credit among immigrant women that is not currently being met, particularly for loans for accreditation, upgrading and training. There is equally a need for support services such as training, support networks, and information.

Recommended Program

ANIW should take a leadership role in initiating and establishing a holistic integrated program (Option 4.3.4, the New Tailored Loan Program) that meets the various credit and support needs of low-income immigrant women, including credit for accreditation/upgrading/training. ANIW should enter into discussions with MCC ED and/or AWEIA to discuss the possibilities of expanding their loan programs to immigrant women.

This program option would have the advantage of access to current micro-credit products with tested and successful delivery and support mechanisms, access to other supports for immigrant women through settlement agencies, and the opportunity to solidify relationships and experience (and funding) before beginning development of a new loan program for accreditation/ upgrading/ training for professionals and skilled trades people to move into their fields of expertise.

To begin, ANIW should play a referral and bridging role that provides information and support to immigrant women experiencing barriers to accessing credit services. These activities would be relatively low cost, and could serve as an “entry-point” into the micro-credit arena. This would allow time to further identify the needs and gaps in delivery.

As part of this Tailored Loan Program, ANIW should also play a role in developing specialized support programs, including women-only peer circles and programs that help immigrant women to improve their capacity to manage credit within the context of the other challenges in their lives. Strong partnerships with local organizations currently meeting some of the needs should be built to provide immigrant women with a wide range of support services.

Feasibility

Capital Loan Fund

Funding will be necessary to establish an adequate capital loan fund for the new accreditation/ upgrading/ training of micro-credit loans at approximately \$100,000. This figure is based on discussions with the Maytree Foundation and the Mosaic International’s capital loan fund for the same type of loan product. Once the capital loan fund has been raised, interest and administration fees, with careful management of loans to ensure a reasonable payback rate, should be enough to ensure that the fund is self-sustaining.

It is assumed that the new program will be able to access partners' existing loan funds for small business loans. Additional funds may need to be raised to address the increased demand for loans. As well, if additional products are added, such as peer lending or emergency loans, this fund may also need to increase.

Operational Funding

Depending on the scale of activity, and the delivery model decided upon, ongoing yearly support funding at approximately \$60,000-80,000 for salary and overheads would be needed (based on discussions with many organizations, and Mosaic International in particular, who are currently starting up a new program).

As it is very difficult to access core funding in the current funding climate, ANIW would have to seriously consider how to continue to raise this amount over the long term, to ensure the sustainability of the program.

Options to consider would be:

- Obtaining ongoing funding from traditional funding agencies, which for the initial start-up of a necessary and innovative program may be quite feasible. However, as detailed in Section 2.2.1: Program Financial Sustainability, ongoing funding is increasingly difficult in the current funding climate and less likely to be sustainable over the long term.
- Obtaining funding from specialized funding agencies or foundations such as the Canadian Women's Foundation, who may be more flexible and recognize the need to provide core funding over the long term for such a program.
- Raising enough money to set aside as an endowment fund, which could generate enough interest to cover the operating costs each year. A conservative estimate of 6-8% return on investments, which would account for fluctuations in the market, would mean that an initial endowment of \$1,000,000 would be required, yielding \$60,00 - \$80,000 per year.
- Establishing a money-making social purpose enterprise which could subsidize the operational costs of the credit program. PARO and the RCDC both have these types of enterprises, however they do not generate enough income to cover the entire operating costs, and funding would still need to be obtained from one of the other options listed above. In addition, a feasibility study to determine what types of enterprise are most likely to generate a return on investment would be necessary before going ahead with this option.

Ensuring the ongoing operational costs is likely to be the biggest challenge of a new program, and needs to be carefully thought through and strategized.

Conclusion

ANIW should take the steps necessary to establish a Tailored Loan Program. It will be most feasible if this is done in close partnership with other organizations that are currently operational in granting credit, and in providing appropriate support services. ANIW's role would be:

- to develop the partnerships necessary to make the new accreditation/training/upgrading loan fund and existing credit and support programs work seamlessly for the benefit of immigrant women;
- to spearhead the effort of developing clear and systematic policies and procedures for the new accreditation/training/upgrading loan fund;
- to develop additional information and support programs to fill gaps for immigrant women accessing credit; and
- to coordinate the fundraising of the capital loan fund and the recurring operating costs

As the program takes shape, ANIW should pursue an education/advocacy role with traditional lenders to make mainstream credit more available to immigrant women.

Program Phases

Such a program should be carried out in the following phases.

PHASE I

Steering Committee: A steering committee will need to be established in order to champion and promote the initiative, build support, and keep and maintain the momentum. The Steering Committee should be composed of the stakeholders mentioned earlier, as well as other potential partners including representatives from banks, foundations, and other funders. It will be important to recruit members with the appropriate skills, experience and networks to champion the initiative.

Planning: A comprehensive planning session with ANIW's board and the Steering Committee will be necessary to work out how to proceed and address the myriad details that will arise. While flexibility is important in meeting the needs of women, clear systematic procedures and policies will guarantee the greatest chances of a successful, renewing loan fund that supports immigrant women in achieving their dreams. A key component of this plan would be an operational plan as well as a detailed budget. Potential partners and key community members should be involved in the planning process to promote buy-in from the early stages of the process.

Negotiations: ANIW should begin negotiations with potential partners (discussed above) to implement Program Option 4.3.2: a new tailored loan program housed in another agency (MCC ED being the most likely), with access to programs and services currently offered by other the partners. This will require discussions about the loan fund requirements, application and approval procedures etc., and roles and responsibilities of various partners.

Fundraising: After completing a detailed plan and budget, funds will need to be raised for a loan fund and start up and operation costs. A realistic fundraising plan for ongoing costs will also have to be developed. This plan should include fund development for both the training, and lending components the program. The Steering Committee should include members with experience and competencies in training, lending, fundraising and other relevant areas.

PHASE II

Piloting: Once all of the pieces are in place, the program should be piloted. Special attention should be paid to monitoring and evaluation, in order to continue to improve the program.

PHASE III

Once a program has been successfully established and piloted, ANIW should investigate opportunities for instituting emergency and/or unrestricted small loans to immigrant women, and the possibility that there may be a need among particular immigrant communities to access peer lending. ANIW may also wish to consider opening the program to immigrant men, and/or perhaps Canadian born women as well.