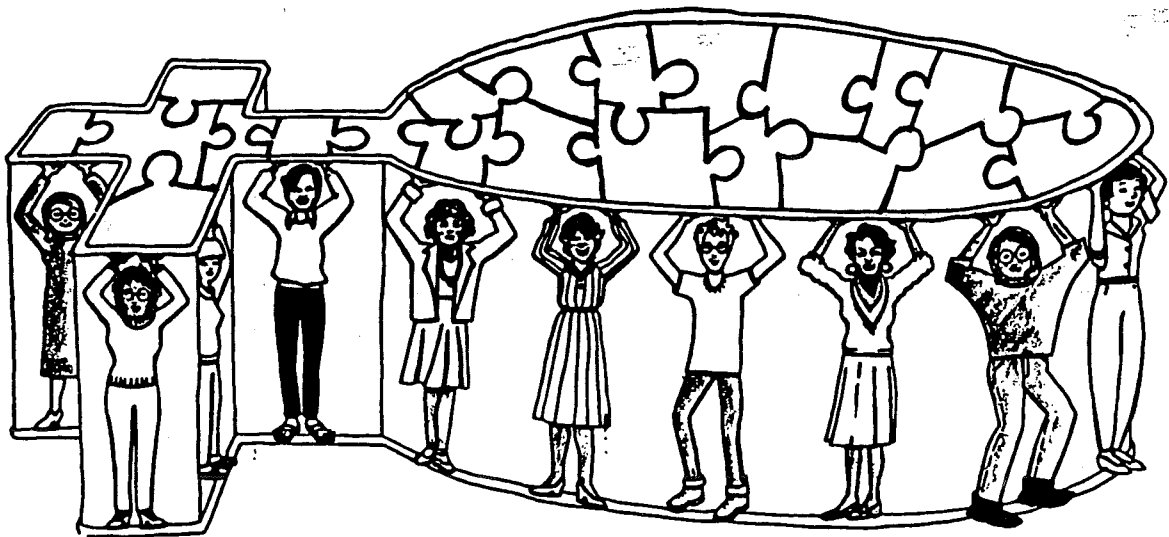


WOMEN GET CREDIT

An Introductory Kit
On Alternative Financing

Savings Groups
Lending Circles
Barter Systems
Loan Guarantee Funds

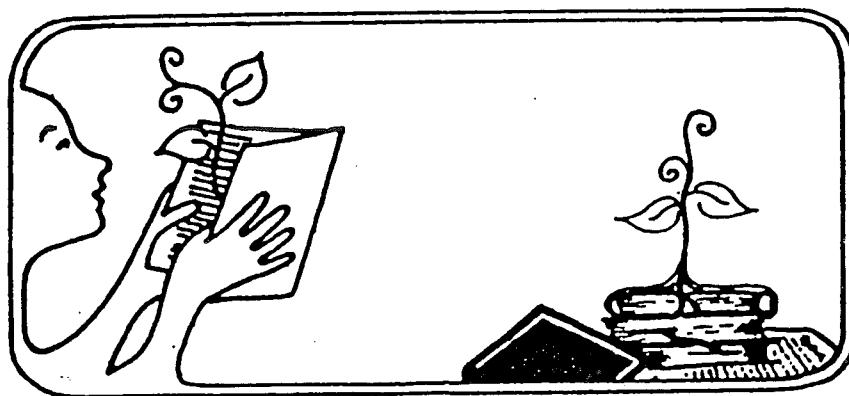


WomenFutures Community Economic Development Society
Lucy Alderson, Melanie Conn, Gretchen Ferguson and Emma Payton

WOMEN GET CREDIT

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Lucy Alderson
Melanie Conn
Gretchen Ferguson
Emma Payton

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GLOSSARY



GLOSSARY

Assets - money or property which has monetary value. Assets are often required as collateral to provide security for a loan. Alternative financing projects often define assets to include a person's experience, skills and character.

Barter credits - when a product or service is traded in a credit-debit barter system the value of the item (as defined in the terms of the barter system) is entered in the account of the seller as credits.

Barter debits - when a product or service is traded in a credit-debit barter system the value of the item (as defined in the terms of the barter system) is entered in the account of the buyer as debits.

Capital - money or goods which a person or group uses to start a business.

Capital base - the money in a loan guarantee fund that is used to guarantee loans or to make loans, as distinct from money used to pay for operating expenses.

Collateral - the property (land or equipment) that financial institutions generally require borrowers to commit as part of a loan agreement. If the borrower does not repay the loan, the financial institution can seize the collateral. Collateral can also be described as Security.

Community economic development - a strategy or process for creating locally-owned and controlled activities that contribute to the overall health of the community. Participation by a broad base of the community (including women's groups, community organizations, band councils, etc.) is essential for the strategy to reflect the needs, concerns and resources of the whole community.

Co-sign, co-signer - the person or organization that is as responsible as the borrower for re-paying a loan. (See definition of Guarantor in this glossary.)

Credit - an amount of money that a person (or group) is authorized to borrow from a financial institution. See Barter Credit for a definition of credit in a barter system.

Credit history - the record of a person's borrowing and repayment of loans and of their payment of bills, such as telephone, hydro, etc.

Development agencies - organizations which provide funds and technical assistance to help people develop socially, economically and politically.

Financial Institutions - institutions such as banks, credit unions and trust companies are examples of financial institutions which provide savings, loans and other services such as chequing accounts.

Guarantee - a way to assist someone to obtain a loan by agreeing to repay the loan (or part of the loan) if the borrower is unable to repay. The person or organization making the guarantee (the guarantor) is required to have the financial ability to repay the loan.

Guarantor - an individual or group who guarantees to re-pay a loan if it is not re-paid by the borrower. (See definition of Co-signer in this glossary.)

Interest - when money is borrowed, the lender often charges a fee, or interest, based on a percentage of the amount borrowed. In a similar way, when money is invested, the investor generally expects the investment to be repaid with interest on the amount.

Investment - money which is used to help finance a business or project with the expectation that it will be returned to the investor with some sort of return for the use of the money (for example, interest or a dividend).

Micro-enterprise - small businesses, generally owned and operated by one or two people, often operating out of their homes.

Micro-enterprise programs - provide services to micro-enterprise owners such as technical assistance and financing.

Non-profit organization, society or agency - an organization which provides services to a community. None of the surplus of a non-profit organization is distributed to its members or directors; if the organization closes down its assets must be passed on to another non-profit organization.

Profit - money available at the end of the year when a business' expenses have been paid. Profits can be re-invested in the business or distributed to owners and/or shareholders.

Revolving fund - a term used to describe financial structures that raise money in order to support economic and social development in the community by making loans or by guaranteeing loans. When borrowers re-pay their loans, the money is "recycled" to other community members.

Security - the property (land or equipment) that financial institutions generally require borrowers to commit as part of a loan agreement. If the borrower does not repay the loan, the financial institution can seize the security. Security can also be described as Collateral.

Social investment - when money is used for the benefit of the community rather than for the financial gain of the investor.

Surplus - the amount of money left over at the end of the year when a non-profit organization's expenses and other obligations have been paid.

Tax credits - the value of investments (or a portion of investments) that can be deducted from an individual's or corporation's taxable income.

Technical assistance - services that assist a borrower to carry out a project more effectively, such as legal, financial or business planning advice.





INTRODUCTION 1

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INTRODUCTION

The numbers of women and children who are caught in a cycle of poverty are so high in Canada and throughout the world that the “feminization of poverty” has become a common phrase. Recently, we have seen all levels of government searching for strategies to deal with the declining conventional economies and increased unemployment. Many of these strategies, like cutting health services or reducing social assistance rates, have eroded national, provincial and community safety nets.

Many women have faced these community and personal dilemmas with creativity and hard work. Some of us have developed ideas for small businesses, alternative economic projects and new networks of community support. However, lack of access to necessary finances has been a major obstacle to women’s economic strategies. Many of us have heard the stories (or are the stories!) of women who are unable to access financial resources to develop ideas or meet essential needs. Many of us don’t match the criteria set out by *financial institutions* because we don’t have enough *collateral*, want too small a loan, or don’t have a *co-signer*.

(Throughout the Kit you will notice that many words have been italicized and bolded the first time they appear. This means that you will find an explanation of the word in the GLOSSARY section.)

Much of our difficulty stems from societal discrimination. Women’s work is grossly undervalued. We earn less than men in the paid workforce. We bear the main portion of work at home in reproduction, child rearing and home management. While these activities are essential for community health, they often prevent us from acquiring the *assets* (homes, cars, savings) that enable people to get loans or finance projects. Some of us are turned down for loans because we are on unemployment insurance or social assistance. Often the projects we want to develop are seen to be “outside the mandate” of the financial source. Some of us have also faced additional barriers

of racism, sexism, homophobia and other forms of discrimination.



Zina Chmielowski

WHY A KIT ON ALTERNATIVE FINANCING?

Women all around the world face these same barriers. In response, many women have used their collective resources to create new solutions for themselves and other women in their communities. Sometimes, these are temporary and informal solutions to meet the specific needs of a group. Other times, new organizations are created to provide ongoing coordination for a new financing program.

None of these solutions was possible for one woman to achieve by herself; but by pooling energy, resources and support, some women have been able to meet their needs. Women have formed groups to save for their children’s school clothes, supported each other to buy supplies for craftmaking, bartered services while on limited incomes, and created new vehicles for community lending that acknowledge and value women’s experience.

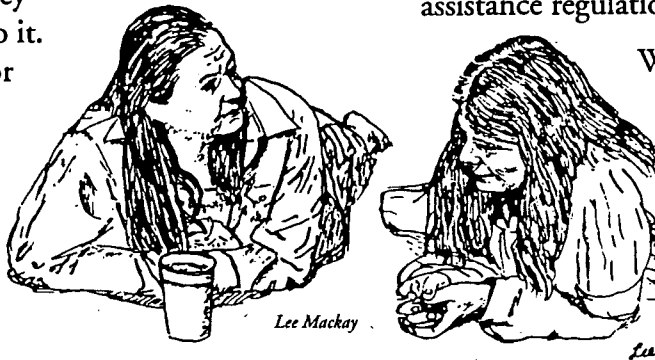
The purpose of **WOMEN GET CREDIT** is to share information and stories, so that more women can learn about these alternative financing strategies and use their own imaginations to create new possibilities. Putting our ideas into practice does mean more work for us; but it also creates ways to recognize and re-value our work and worth in the community.

RE-THINKING OUR APPROACH TO FINANCIAL CONTROL

The strategies listed in this Kit require a new way of thinking about money. Working together on alternative financing means changing the rules about who can access money and how they can do it. It is very different for us to be thinking about access to financing as a collective issue instead of a private, individual problem. We are used to dealing with other areas of our lives, such as education, access to recreational facilities, and road-building as community issues. But in our society, money is traditionally viewed as a private affair.

De-privatizing money takes us into unmapped territory. We need to figure out new ways of doing things that fit our values and purposes. All of the financing alternatives presented in this Kit require a collective effort, whether it's a few women starting a savings group or many women developing a community-wide barter system in the community. We need to establish our own guidelines for working together and we need different processes that assist us to build and maintain trust.

Fortunately, women bring both creativity and experience to this task!



WHAT ABOUT OTHER SOLUTIONS?

Creating new alternatives, like the ones presented in this Kit, is only one way to help us gain greater financial control over our lives. We also need to think of strategies that would make it easier for us to access existing resources through banks, credit unions, trust companies and government loan funds. We can influence these institutions to become more flexible and responsive to women's credit needs. For example, some women have run for the board of their local credit union. Other women have pressed for changes to government programs. Many organizations are lobbying for better wages for women, a higher minimum wage, and changes to unemployment and social assistance regulations.

When we work together, all of our strategies – lobbying for change, revising existing practices and creating new alternatives – will contribute to greater access for women to the financial resources we require.

WHAT IS IN THE KIT?

The Kit is an introduction to alternative financing. This means you may not find everything you are looking for in this Kit. Instead, there is some basic information about four alternatives and some resources for exploring the options on your own.

The Alternatives

WOMEN GET CREDIT includes four community-based financing alternatives:

- Savings Groups
- Lending Circles
- Barter Systems
- Loan Guarantee Funds

Each one of these sections is designed to stand on its own, but it is useful to read all four sections to see how the alternatives overlap. As you read through the descriptions, you will notice similarities and differences, as well as ways to combine options.

Each of the sections on the four alternatives begins with a story - an example of the strategy in action - followed by an "informal" and "formal" description of each strategy.

- The **informal** description outlines how you and a few friends, relatives or co-workers could use this strategy to create the resources you need right away.
- The **formal** description outlines how a group of women or a community organization could use the alternative financing strategy to create a permanent resource that would benefit many women in the community.

Of course, you may find that the categories of informal and formal are not so separate. You may want to blend them to suit your purposes better.

Each section provides information about developing an alternative financing strategy and makes reference to the experiences of other groups and organizations. Additional issues and questions are explored and a summary of the benefits and limitations of each strategy is provided.

At the end of each section there are suggestions for where to find out more information about each alternative financing strategy. There is a list of names and addresses of organizations that are willing to share information and be a resource for new initiatives. We have also

attached a "sample document" to each section to give you an idea of how groups do their work.

What's Next?

This section of the Kit provides some ideas about how to get started on your own alternative financing project. There are suggestions about getting women together in your community to talk about various options and making an action plan that is right for your group.

IN ADDITION

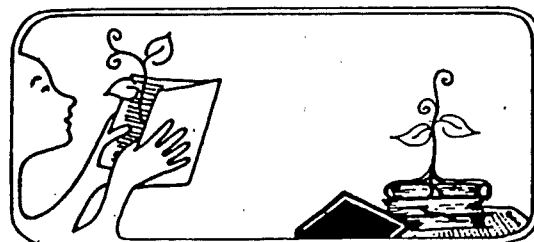
Don't hesitate to photocopy the enclosed materials and distribute them to your group - just acknowledge WomenFutures on the copies. We encourage you to put the Kit into a binder and begin adding more information to each section.

One of the next steps for us at WomenFutures is to develop a workshop to go with this Kit. We would also like to keep in touch with all of you who are working in this area or starting new projects. One idea is to start a network of women's alternative financing projects in Canada. We have included a Network Information Form in the Kit as a first step towards this idea. Please let us know about your activities by filling out the form.

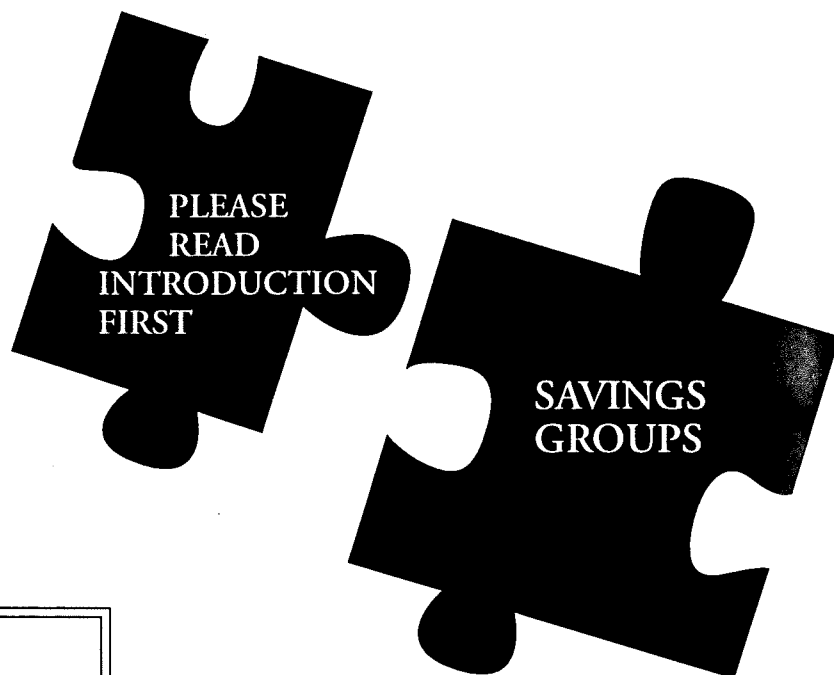
We are looking forward to hearing from you!

Lucy Alderson
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A Savings Group Might Start Like This...

Ten women farm workers were talking one spring day about the economic hardships they experience when they are unemployed during the winter months. Some of them were able to find temporary, part-time work while others relied on their partners' income for support. All the women found that their money did not stretch over the three winter months and by each February they were feeling desperate. The women decided to try to come up with a solution to their economic problems together.

Each of the women talked about how she had tried to save money in the past. Almost all of them had a personal savings system, but money was tight. None of them was a frivolous spender but the pressure of making ends meet often meant dipping into savings.

After several discussions about their options they decided to start a savings group. The plan was for each woman to contribute money to the group pool on a regular basis during their working months. Then, in the winter, they would use their savings to help support themselves and their families. Not only would each woman have the encouragement of the group, but if a member had an emergency, the group could get together to try to find an alternative solution to withdrawing money.

The group began to meet monthly. Initially, each woman was planning to save \$100 a month from March to November when she was employed. But, after more discussion, the women decided that they would each contribute \$110 a month. They figured that the extra \$10 would not be too hard to find when they were earning money, and that this would add up to an additional \$100 a month among them. Over nine months the group would be able to save an "extra" \$900 which they called their "emergency reserve".

Each month, the women deposited their group savings of \$1100 into their group savings account. (They decided that three members of the group would have signing authority at the bank, and that two signatures would be required for any withdrawal.) At the end of November, each woman could decide to withdraw a lump sum of \$900 or take out this amount in instalments over the three winter months. The women decided to leave the interest their savings earned in the account, adding it to their emergency reserve.

The group continued to meet throughout the winter. Whenever problems or emergencies came up for a member, the group was able to discuss the situation and suggest possible solutions. Sometimes the women were able to help one another out simply by sharing skills and

resources. (See section on Barter Systems.) For example, they provided child care for each other from time to time, and agreed to pass on toys and clothing as their children outgrew them. The women also began to check out ways of cutting household expenses, such as bulk-buying together and sharing information about "good deals".

Sometimes the only solution to a member's problem was money. When this was the case, a group member could use the emergency reserve, negotiating with the other members about the amount and the terms of repayment.

The savings group meetings became an important part of each woman's life. Coming up with collective solutions to their own personal financial situations had relieved much of the isolation they had felt as individual workers. They looked forward to getting together to share their hopes and dreams and to talk about other opportunities for creative action. One exciting possibility was to include other farmworkers in bulk-buying so that more products could be purchased on a regular basis.



WHAT ARE SAVINGS GROUPS?

Savings groups are used by women in rural and urban communities around the world to save money for personal or business reasons. Meeting regularly, members make contributions to a group savings fund. Some groups choose to pool their money for collective projects, such as a business they want to start together; others use their savings to lend to members for self-employment (see the section on Lending Circles). Some groups save for emergencies such as funerals, illness or unemployment. Group savings can also be used as *collateral* for loans from *financial institutions* (see the section on Loan Guarantee Funds).

Savings can also be used to buy *assets*, such as land or equipment. In South Africa, where savings groups are called "stokvels", one group saves its money to contribute to community projects such as a new well or road. Another group, in the U.S., is planning a 5000-member network of groups which could save enough over a year to begin to develop housing for its members.

Some groups get involved in fund-raising activities to boost their savings. Craft and bake sales, car washes and talent auctions are some ways groups have found to raise money. These activities increase the amount of money saved, strengthen the group and encourage members to get involved in the community. Groups may decide to share any interest made on their savings with group members, use it for other activities or donate it to an organization the members want to support.

In the Philippines, savings groups are called "paluwagans". A group of women from the Philippine community in Vancouver, B.C. are participating in a "paluwagan". The ten members each contribute \$100 a month. Every month the group holds a random draw to decide who will get the pool of money. (Once a member gets her share, she takes her name out of the monthly draw.) Members of the group may use the money for whatever they want.

According to a member of the group, one of the most important things about it is that the women know and trust each other. No one has left the group without paying her share. The group is now on its second cycle. The Philippine Women Centre in Vancouver is planning to start a savings group for Centre members.



Charlene Lineel, logo of the Philippine Women Centre

HOW ARE SAVINGS GROUPS STARTED?

Informal savings groups, such as the one in the opening story, are started by group members themselves. Women who form savings groups may be friends or relatives. They might meet at women's centres, through their work places or anywhere women gather. A group of women employed at the Women's Resource Centre in Courtenay, B.C. have started a savings group so they can each buy car insurance on a yearly basis, rather than by the more expensive, instalment method.

Most groups range in size from 5 to 25 members. Informal groups seem to work best when membership is small enough so that everyone has an opportunity to participate in decision making. Members decide together how much and how often money will be contributed, and what their savings will be used for. The group also decides how it will be structured. For example, will there be a permanent co-ordinator and book-keeper or will these positions be rotated? Taking turns at different roles appeals to some groups because it gives everyone a chance to learn the skills

involved, and power is shared more equally. Other groups find that when one person holds a position for a longer period of time, the continuity helps the group work better.

Formal savings groups are generally started by a *non-profit organization*, a *development agency* or a business that wants to help its members or employees save money.

Some non-profit organizations, recognizing the difficulty women have raising money, organize a savings group as a strategy to help women save the money they need. Job training programs, literacy classes, tenant organizations and support groups are natural places for savings programs to develop. To show how an organization could set up a savings group program, we have included the "Savings Clubs Rules" used by WomenVenture at the end of this section as a Sample Document.

Often organizations work with a particular group such as poor, urban women whose access to money is limited because of sex and class discrimination. Organizations sometimes match a group's savings as an incentive and as a way to contribute to the group's assets without undermining their saving process.

In India and Nepal, development agencies have encouraged women to form savings groups. The agencies may help women set up a savings account and offer *technical assistance* with managing the fund. A matching policy gives groups a larger pool of money. Savings groups have helped many poor, rural women raise the money they need to start their own businesses or run their own farms.

Employers sometimes start savings plans for their employees. Often these plans do not include group meetings or promote group cohesion as a component, but they could. Women who participate in an employer-initiated strategy might consider gathering regularly to discuss their savings and how to use them. They could also use the group meeting to talk about work related issues or their personal situations.

Employees could pool their money and ask the employer to provide administrative services for the group. Deductions could be taken (with the employee's permission) from pay cheques and put into a savings pool. Each member's savings would be recorded and access to the funds would be determined by the member herself or, in some cases, by the group.

OTHER QUESTIONS TO THINK ABOUT

Are there any restrictions on saving money for people on social assistance?

In most parts of Canada, the amount of savings and other assets (for example, term deposits, a car or a house) that can be held by individuals receiving social assistance is limited, although policies vary from one province or territory to another. If you or your organization are thinking about starting a savings group, it is important to check out the regulations that would apply to the members of the group. A welfare rights group in your community would be a good source of information about current regulations. The local social assistance office will also have information about relevant policies.

There is no doubt that provincial restrictions about assets make it difficult for people on social assistance, already living below the poverty line, to use the strategy to improve their lives. For that reason, lobbying for change to the rules may become an important part of your work in setting up a savings group.



Vivian Revill

BENEFITS AND LIMITATIONS OF SAVINGS GROUPS

When you are considering savings groups as an alternative financing strategy, here are some things to think about.

BENEFITS

Savings groups are great because they ...

- encourage women to save larger amounts of money together than if they saved individually
- establish a pool of money to be used for a variety of purposes
- are easy to form and join
- change saving from a private activity to a collective effort
- can earn interest at a higher rate than individual, smaller accounts
- promote social and economic ties among women which can reduce isolation and increase co-operation

If you start an informal savings group ...

- group members are accountable to themselves rather than to an organization or other sponsor
- the group is responsible for making its own decisions about how the group will operate, for example, how much and how often contributions will be made and how the savings will be used
- the group may get involved in other fund-raising activities which can build group cohesion and encourage more participation in the community

If your organization starts a formal savings group you can ...

- offer to match the group's savings with a donation
- offer technical assistance and administrative support
- negotiate with a local financial institution to set up group accounts and encourage it to offer discounts on account charges and other services
- deduct savings directly from members' pay cheques
- consider the idea of establishing a network of savings groups to save for large-scale projects

LIMITATIONS

There are limitations to savings groups such as ...

- large amounts of money cannot be accessed very quickly (unless the group has many members or members are able to make big monthly contributions)
- trust needs to be developed among group members so that they can become comfortable about sharing information about money - as well as sharing the money itself
- provincial and territorial government regulations generally restrict the amount of assets people receiving social assistance may accumulate

If you start or join an informal savings group ...

- members may need information about technical aspects of the process, such as accounting
- members may need to develop their skills in sharing information and decision making

If your organization starts a formal savings group, you will want to keep in mind that ...

- group members may need to be encouraged to take an active role in decision making
- you may need to provide administrative support and technical assistance
- you may need to help groups link with a supportive financial institution

WHERE TO FIND OUT MORE INFORMATION ABOUT SAVINGS GROUPS

Rural Strategies

P.O. Box 2125

Charleston, West Virginia U.S. 25328

Chris Weiss (304) 344-8805

Rural Strategies is a management and consulting service on rural development and women and development. If you contact the group they can provide you with information on women and economic development programs in the U.S. and other parts of the world. They also have information on savings programs and micro-enterprise programs.

Their recent publication "Savings Groups: A Tool for Community Organizations" may be useful to groups wanting to start savings groups. It costs (U.S.) \$15 and can be ordered directly from Rural Strategies. They also publish *Building Assets*, a newsletter about savings groups in the United States to which you can subscribe for (U.S.) \$15 a year.



SAMPLE

Savings Club\$

Pulling Together to Pool Together



Founding Members Joint Agreement Prior to Opening Account

Your group needs to take a few basic, important steps before opening a savings club for your members.

1. All founders agree to select a name for the savings club.
2. All founders agree to set a minimum individual deposit amount that all members can afford. (Individual contributions often are between \$5 and \$15 per month.)
3. All founders agree to determine how frequently deposits must be made by each member. (Usually monthly or bi-monthly.)
4. All founders agree to appoint and name two bank account card signers who will sign all bank account transaction cards.
5. All founders agree that WomenVenture as the third card signer for withdrawals, will sign only when it knows that the transaction has the approval of all group members.
6. All founders agree to appoint and name at least one record keeper to maintain written information on individual contributions and group deposits to the savings account and written information on withdrawals. (WomenVenture can take that information and put it in its own computer system for easy tracking)

Every person who wishes to be a member in this group should sign this YES to indicate their acceptance of the first step guidelines.

YES _____	YES _____
YES _____	YES _____
YES _____	YES _____
YES _____	YES _____
YES _____	YES _____
YES _____	YES _____
YES _____	YES _____

Provided by WOMENVENTURE, Saint Paul, Minnesota

SAMPLE

Savings Club\$

Pulling Together to Pool Together



Roles of Savings Club and WomenVenture for Starting and Operating a Savings Account

Role of Savings Club

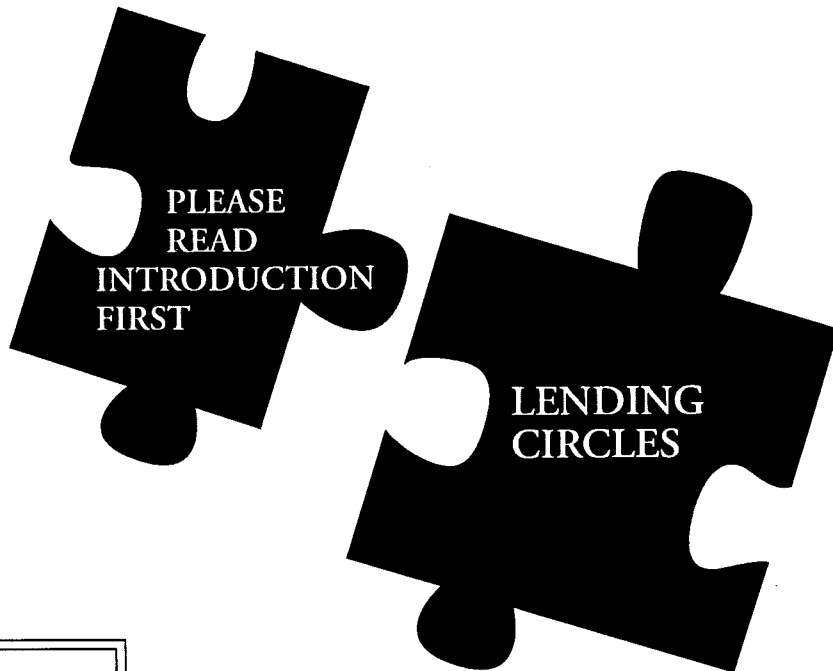
- To use a consensus approach to decision making with respect and fairness to all members of the group.
- To make decisions regarding
 - savings club mission
 - process for collecting and depositing saving
 - purpose of loans to members
 - lending decisions and terms
 - membership requirements
 - conflict resolution procedures

Role of WomenVenture

- To provide seed capital for new savings club by depositing amount of \$250 to open an interest bearing bank savings account named "WomenVenture" as Trustee for (ABC) Savings Club."
- To provide an introductory training session for each savings club that covers:
 - How to Stretch a Dollar for Savings
 - Overview of asset allowances and limitations
 - Review First Step Guidelines: Members' Agreement Before Opening Account
 - Review of Second Step Guidelines: How to Open and Manage Account
 - Review of Third Step Guidelines: Topics and Resources for Future Decision-Making
- To provide space for savings club members to hold meetings.
- To provide resource information for running savings club meetings.
- To provide computer recordkeeping support for savings club transactions.
- To sign all transaction cards when savings club has indicated that members agree to the transaction.

Provided by WOMENVENTURE, Saint Paul, Minnesota

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A Lending Circle Might Start Like This...

Five women, who go to a local parent-child group, were talking over coffee one morning and found out that each was interested in starting up a small business

Riki had a part-time craft business that she wanted to expand. Mina wanted to market her pottery. Celia wanted to learn more about managing a business and Lois wanted to have a small woodworking shop. Punam wanted to sell the children's clothes she had been designing and making. Riki had approached her local bank for a loan to expand her business. She was turned down because her business was seen as "too risky" and she might not make enough *profit* to pay back the loan. Some of the other women had tried to get small loans from friends and family to start their projects, but no one seemed to have any funds to spare.

The women began to meet regularly at the community centre to discuss their business ideas and how they might work together to raise the money for each of their projects. They even gave their group a name - the Women Mean Business Circle.

The Circle approached one of the workers at the community centre to see if she could help them with their financing idea. Pretty soon the whole centre was involved in figuring out how the women could get the money they needed. Everyone was eager to help the five women get on with their businesses. There was also growing excitement about how this could work for many more women.

Within a month, the community centre and the Women Mean Business Circle had created a small pool of money that could be loaned to Circle members. The community centre allocated \$750 to the project from the annual walk-a-thon proceeds. A friend of one of the board members loaned \$1000 to the pool on the basis that the money would be returned to her in the future. Each of the five women put in \$50, bringing the total to \$2000. Having raised the *capital*, the group now had to figure out a way for each of them to get the loan they needed from the pool.

With the help of the community centre worker, the Women Mean Business Circle created policies for borrowing from the pool. The first decision was who would get the initial loan. Because the group only had \$2000 to work with, not everyone could get a loan at the same time. They decided to use "urgency of need" and "availability of funds" to decide the order and scheduling of each of the loans. The Circle decided not to wait for each person to repay her entire loan before another loan was made. As soon as enough money had been repaid to the pool, the Circle could make more loans to

members.

The second decision the Women Mean Business Circle made was about repayment of the loans. Each of them was committed to repaying their loans so that the money could circulate in the group. However, they still had to be accountable to the community centre and the board member's friend who had loaned money to the pool. Members of the Circle agreed to share the responsibility of each other's loans so that if one woman could not repay her loan the others would repay it. In other words, they *guaranteed* each other's loans. Both the community centre and the individual contributor were satisfied with this arrangement.

Mina was the first to receive a loan in order to advertise and rent space for her pottery show. Her show was a success and she repaid the \$800 immediately. Lois was the next to receive a loan to buy tools and materials for her woodworking business. Her loan payments were set at a rate she could afford to repay as her business slowly got going. As Lois repaid her loan, Punam was able to take a small loan to buy fabric for her first big order – uniforms for her son's soccer team.

The Women Mean Business Circle met twice a month to make their loan payments and talk about how their businesses were going. The community centre stayed involved too. New questions began to emerge. What about sharing a retail outlet for some of the items? What about starting an emergency fund for the circle? How could they get a training session on marketing?

Other ideas were raised about developing more circles. How could more women get involved in these loan circles? Was this activity within the legal mandate of the community centre or should they start another organization to sponsor the activities? Who else should be involved?

There was no doubt the idea was working for Riki, Mina, Celia, Lois, and Punam. How could it work even better, and how could it work for more women were the new questions to be addressed.



Vivian Revill

WHAT ARE LENDING CIRCLES?

Lending circles are a strategy used by women in rural and urban communities around the world to raise money for personal, business or community use. The goal of a lending circle is provide credit to women who are unable to access small loans from *financial institutions* or other sources. The group's responsibility for each member's loan replaces the usual requirement of sufficient *collateral*, like cars or houses.

Lending circle members may pool their own money and make loans to each other, or the circle may join an existing program and borrow from a sponsoring organization, community foundation or fund. A lending circle may provide many other opportunities for women to gain support for establishing a small business. One coordinator of a lending circle program described group lending as having three essential ingredients for women: information and access to other women involved in business, access to capital and encouragement and support.

Other phrases used to describe the lending circle concept are "borrowing circle", "loan circle", "group lending" or "peer assisted lending". The work of the Grameen Bank of Bangladesh is widely credited for introducing the lending circle strategy internationally. There are lending circles currently operating in Canada and in many other countries including the United States, Bangladesh, Africa, India, Central and South America, Indonesia and Pakistan.

HOW ARE LENDING CIRCLES STARTED?

Informal lending circles are started and operated by group members themselves. Like the group in the story, an informal lending circle may begin because women have no other alternative but to create something for themselves. In some cultures, lending circles are a common alternative to conventional financial institutions and high-priced money-lenders.

Women have established informal lending circles to help each other borrow money for many reasons: buying craft supplies, starting a business, taking a trip, paying school fees, even financing the down payment on a house. Informal lending circles are built on mutual benefit and trust. They require a minimum of organizing and can exist for a short time or grow into a larger project.

In informal lending circles women can make up their own guidelines and policies, similar to the Women Mean Business Circle in the story. Getting the *capital*, the money that will be loaned out to each member of the circle, is one of the biggest challenges women face in an informal lending circle. One popular method of creating a pool combines lending with saving (see section on Savings Groups). A brief example demonstrates how this method works. A group of ten women decide to contribute \$50 a month to a pool for ten months. After the first month, one woman takes the \$500 collected at the first meeting and uses it for her business. She continues to contribute for the remaining months. After ten months, each woman has received a \$500 loan.

Formal lending circle programs are often started when a community organization responds to a need for small loans for women's part time or home-based businesses, often called *micro-enterprises*. The Women Mean Business Circle demonstrated how an informal lending circle for five members might grow into a permanent community resource with the involvement of a local organization.



Les Cercles d'Emprunt de Montreal (The Montreal Loan Circles) began as a project of a *community economic development* organization in the Grand Plateau area of Montreal. Les Cercles d'Emprunt is now a separate organization with two coordinators and four women's lending circles.

The Women's Self-Employment Project in Chicago is another example of a community organization that expanded its programming to include lending circles. This organization began as a training centre for women's self-employment and later added the lending circle option as the need for it became obvious.

Sometimes formal lending circle programs are sponsored by an organization with an overall goal to help groups raise capital for businesses or other projects. Several international *development agencies* and foundations are promoting the lending circle concept around the world. In Canada, Calmeadow provides extensive information and technical assistance to communities that want to start lending circles. Currently, their First Peoples' Fund has assisted many Aboriginal communities across Canada to establish lending circle programs. They have also sponsored several non-Aboriginal programs: Calmeadow West (which operates in Vancouver and the Fraser Valley); one in Lockport, Nova Scotia; and another in Toronto, Ontario.

In most formal lending circle programs, the sponsoring organization has already raised the capital for the lending circle. Sometimes the loans are made from a financial institution and *guaranteed* by a sponsoring organization (see section on Loan Guarantee Funds). In other instances, the organization has created a pool through donations or investments and makes direct loans to circle members.

In most formal programs, loans are made to lending circle members in stages. When the first borrower in the group has begun repaying her loan, loans are made to the other group members. The authority to approve loans may

rest within the lending circle itself, be approved only by the sponsoring organization, or by a committee made up of both. At the end of this section, we have included a Sample Document of a loan approval form used by the Sliammon Indian Band Lending Circle in Powell River, B.C.

Ensuring repayment

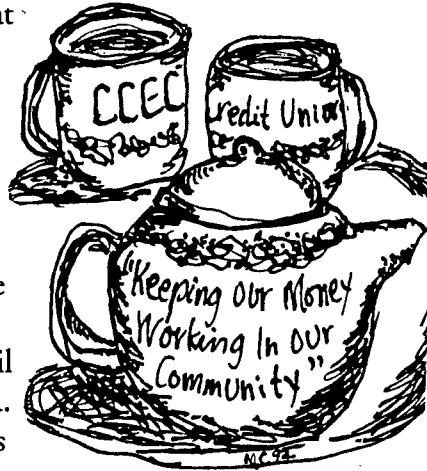
Most lending circles do not rely on collateral such as houses or other property to ensure repayment. "Character" and peer support provide the collateral for the loan. A woman's previous paid and unpaid experience, her honesty, reliability and willingness to participate in the group are the important considerations for her membership in the circle. Research on formal lending circles shows a high rate of repayment because group members develop an increasing sense of responsibility towards each other. Women understand that the success of the lending circle program depends on repayment.



CERCLES
D'EMPRUNT

Logo of Les Cercles d'Emprunt

The policy of Les Cercles d'Emprunt is that equipment bought with the assistance of a loan (for example, sewing machines, tools, etc.) becomes the property of the organization until the loan is repaid. Sometimes, loans are used for other items, such as publicity, where there is no collateral. Ultimately, the members of the circle are responsible for the individual's loan.



Many of the lending circle programs restrict the maximum amount on a member's first loan (often \$500 is the limit). Later, larger amounts may be available (\$1000 to \$10,000). This assists circle members to acquire experience in operating their businesses without taking a big financial risk. In some cases, there are no minimum amounts that a member can access. For instance, a woman who just wants to borrow \$100 for hairdressing supplies can do so through the Women's Self-Employment Project. Being able to access the appropriate amount of a loan is one of the benefits of the lending circle strategy. Most financial institutions refuse to make small loans because they are not *profitable*.

Some programs recognize that certain businesses have a particular cycle - such as agricultural or tourism businesses. The Central Interior Native Business Development Corporation in Kamloops, B.C. has a flexible repayment program for seasonal businesses. The members of their lending circle program can develop their own lending policies which are approved by the Corporation.

Some organizations require members to make

contributions towards an additional fund, often based on a percentage of the amount borrowed. The additional fund may exist to provide emergency money to members, to cover loans that have not been repaid, or to cover expenses for the circle or organization. Almost all programs charge interest on the loans, and the rate of interest varies amongst organizations.

Choosing lending circle members

Mutual support is an important aspect of lending programs. It is important for group members to know and trust one another. In some programs, members of a circle already have a bond - they belong to the same community or the same group. At Calmeadow West, people can choose their own circle from friends and business acquaintances, or from orientation sessions. In other programs, women participate in an orientation or training program before becoming members of a circle. This provides an opportunity for women to learn about the program and to get to know each before being asked to guarantee one another's loans.

Twice a year, Les Cercles d'Emprunt holds an information meeting to generate interest in their eight week training course. Those women who participate in the entire training program go on to form a lending circle. By the end of the eight weeks, women know a lot about each other and their businesses.

Other reasons why women participate in lending circles

For many women, lending circles are the only way they can access small, appropriate amounts of *credit* for their business. Working with others who are "in the same boat" provides a common base for building trust and understanding. Starting small enables women to try out business ideas without acquiring a heavy debt load or "sinking everything" into a new venture.

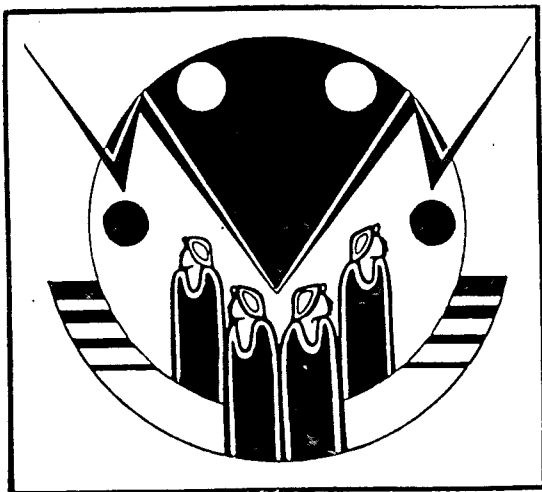
Lending circles are also a way to establish a good *credit history* that will enable an individual to get a loan from a financial

institution at a later date. (Many women have established a good credit history during their marriages, but this information is often ignored by financial institutions when a woman becomes divorced or separated.) In lending circle programs where members get their loans directly from a credit union or bank, individuals have an opportunity to establish a credit history with the financial institution. This is a significant benefit to lending circle members, even though the program still guarantees the loan and the process may be simplified for the financial institution's benefit.

OTHER QUESTIONS TO THINK ABOUT

Are there any restrictions on participation in lending circles for social assistance recipients?

The relationship between self-employment and social assistance is confusing. On the one hand, government policy-makers say they want to promote "independence" which means getting as many people as possible off social assistance. On the other hand, social assistance policies generally make it very difficult for someone on assistance to finance a business without being seen to "abuse" the system. While regulations vary from province to province it is likely that loans received from a lending circle will be viewed as income for social assistance recipients. Welfare advocacy groups or government representatives can tell you the regulations about starting a business and/or receiving loans while on social assistance in your province or territory.



Logo of First Peoples' Fund

What other services could an organization provide to help women succeed in their small businesses?

Some lending circle sponsors have developed relationships with other local business development organizations in order to provide *technical assistance* to participants in the lending circles. Other organizations have expanded their programs to include a variety of supportive activities.

The Women's Self-Employment Project in Chicago has a Resource Bank of volunteers available to provide technical assistance to lending circle members. The Central Interior Native Business Development Corporation in Kamloops, B.C. suggests that an Elder be included in each circle.

In addition to providing credit, lending circle sponsors may offer a range of services to support women's self-employment initiatives. Providing business training and on-going advice, holding networking evenings for circles, sponsoring community trade shows and providing access to larger amounts of capital for expanding businesses, are just a few of the possibilities.

Many organizations have taken on an advocacy role to deal with regulations that prevent women from using self-employment as a way to increase their economic independence. Changing zoning regulations that restrict home-based business activity or lobbying for flexible guidelines for social assistance recipients are ways that organizations have tried to improve the climate for women's self-employment strategies.

BENEFITS AND LIMITATIONS OF LENDING CIRCLES

When you are considering lending circles as an alternative financing strategy, here are some things to think about.

BENEFITS

Lending circles are great because they ...

- help women who have little or no collateral to get loans
- provide access to small loans which many financial institutions are reluctant to make because they are not profitable
- recognize other factors, such as reliability and unpaid work experience, as qualifications for loan approval
- enable women to try out business ideas without acquiring a heavy debt load
- promote social and economic ties between women which can reduce isolation and provide important business and personal support
- may charge low (or no) interest rates and may provide flexible repayment schedules

If you start an informal lending circle ...

- group members are only accountable to themselves and they are not required to report to any other group or agency
- the group is responsible for making its own decisions about repayment terms, amount of loans and interest rates
- you can start right away
- the circle can exist for a short time or develop into a more permanent program

If your organization starts a formal lending circle program, you can ...

- make loans available to specific groups of women. For example, you can lend exclusively to poor women who cannot get credit at financial institutions
- provide additional educational and technical assistance or make referrals to other local organizations for this support
- encourage groups to charge interest or other fees to cover costs and raise capital to start their own loan fund
- help women to establish good credit histories which may help in accessing larger loans from financial institutions

LIMITATIONS

There are limitations to lending circles such as ...

- if one person defaults on her loan, the whole group may be responsible for making the remaining payments otherwise they lose access to future loans
- people may have to wait their turn for a loan which may not always coincide with need
- there are limited amounts of capital available

If you start an informal lending circle ...

- the group will have to raise the capital for lending which may take extra time
- loans may not be distributed as quickly as in formal lending circles
- members may need to seek out information about such things as book-keeping or organizing a group, since there is no formal support from any organization

If you start a formal lending circle program, you will want to keep in mind that ...

- you will need to take the time to make decisions about essential components of your program such as: loan purposes, minimum and maximum loan amounts, and the rate of interest to be charged (if any)
- additional support may be needed such as technical assistance, information about group dynamics, advocacy around larger issues such as regulations for income-assistance recipients or zoning for home-based businesses
- you may have to fund-raise regularly for the costs of administering this program

WHERE TO FIND OUT MORE INFORMATION ABOUT LENDING CIRCLES

Calmeadow

4 King Street W. Suite 300
Toronto, Ontario M5H 1B6
Jennifer Harold
(416) 362-9670 fax (416) 362-0769

Calmeadow has an extensive library on micro-enterprise development programs in North America. Calmeadow has worked overseas in the area of micro-credit for the past ten years and has operated loan funds in Canada for five years. Their peer assisted lending programs operate in Vancouver, Toronto, Nova Scotia and in First Nations communities across Canada through the First Peoples' Fund. Calmeadow's research unit seeks to understand more about the barriers found by self-employed people and advocates for changes in government policy. The organization's training unit helps other communities set up their own peer assisted lending programs. Contact Jennifer Harold to find out what resources are available.

Calmeadow West

Peer Assisted Lending Program (PAL)
Studio 54, 54 West Hastings Street
Vancouver, B.C. V6B 1G6
Peter Ireland (604) 688-7050

PAL provides small business loans of up to \$5,000 for self-employed people who cannot access loans through conventional lenders. A "by-product" of PAL is the support network provided by the hundreds of other PAL clients. If you contact PAL, the information they will give you is focused strictly on the PAL Program: loan sizes, terms, lending criteria, etc. PAL does not provide small business counselling.

Central Interior Native Business Development Corporation

215-345 Yellowhead Highway
Kamloops, B.C. V2H 1H1
Geri Collins or Mike Le Bourdais
(604) 828-9833 or (604) 828-9824

CINBDC operates a lending circle program for First Nations people in their region. They provide orientation sessions for micro entrepreneurs and an initial loan to a lending circle. Once their investment is repaid to the CINBDC, the circle may become independent.

Les Cercles d'Emprunt de Montreal (The Montreal Loan Circles)

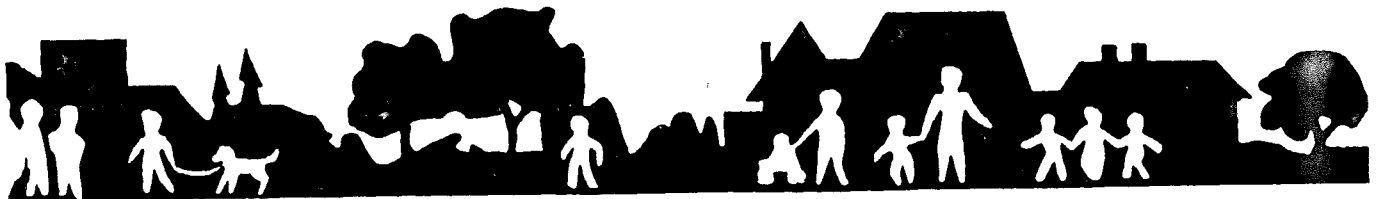
325 Boulevard St. Joseph
Montreal, Quebec H2T 1J3
Carole Lanno
(514) 849-3271 fax (514) 844-6372

Les Cercles d'Emprunt operates several loan circles for women in Montreal. They are willing to provide groups and individuals with their training materials and assist others in creating new loan circle programs.

Sliammon Indian Band Lending Circle

RR#2, Sliammon Road
Powell River, B.C. V8A 4Z3
Becky Harry (604) 483-9646

The Sliammon Band operates several lending circles for members of the Sliammon community in co-operation with Calmeadow and the First Peoples' Fund.



WHERE TO FIND OUT MORE INFORMATION ABOUT LENDING CIRCLES

Women's Self-Employment Project

166 West Washington, Suite 730

Chicago, Illinois, U.S. 60602

Connie Evans

(312) 606-8255 fax (312) 606-9215

The Women's Self-Employment Project is a non-profit organization offering training, technical assistance and loans to low- and moderate-income women in Chicago. WSEP has an extensive outreach program and conducts orientation sessions for new circles. WSEP also operates a micro-loan fund for individual borrowers.



SAMPLE

SLIAMMON INDIAN BAND LENDING CIRCLE PROGRAM LOAN APPROVAL

1. CIRCLE LEVEL APPROVAL (TO BE COMPLETED BY CHAIRPERSON)

Circle name: _____ Borrower name: _____
Amount of loan requested: _____ Term of loan: (6 months/1 year)
Business: _____ Loan purpose: _____
Circle members approval: _____

Date of circle approval: _____

2. LOAN ADMINISTRATOR

Circle up to date on all loans: (yes / no)
All members in the circle approved the application: (yes / no)
Number of loans repaid by Borrower to date: _____
Amount of last loan: _____ Refinancing Application: (yes / no)
Signature of Loan Administrator: _____

3. MANAGEMENT BOARD APPROVAL

Amount Approved: _____ Date of Board Approval: _____

(Management Board Chairperson)

4. LOAN GIVEN TO BORROWER AND REPAYMENT TERMS OUTLINED (TO BE COMPLETED BY LOAN ADMINISTRATOR)

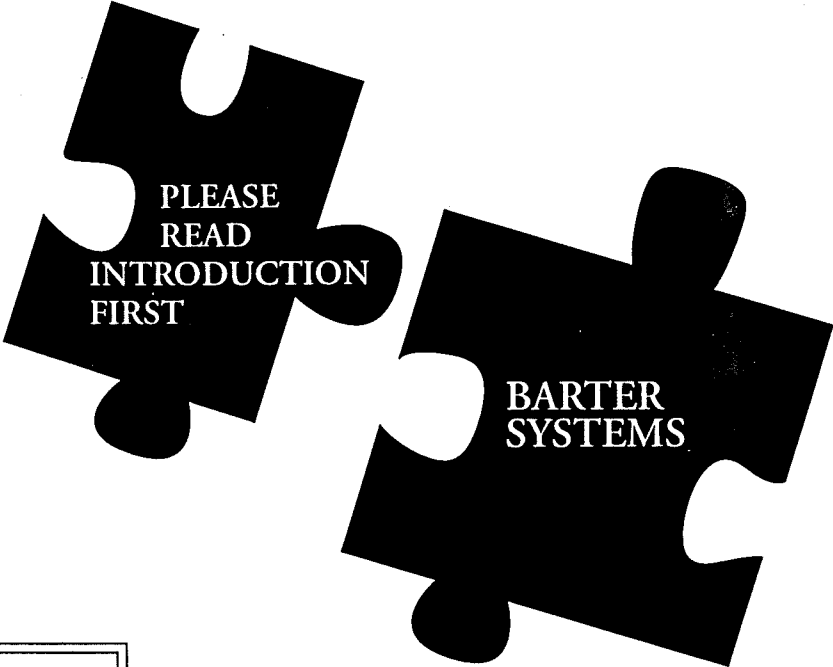
Amount of loan: _____
Regular/Refinancing Fee retained by loan administration: _____
Interest charged by loan administration: _____
Required monthly payment: _____
First payment due by: _____
Final payment due by: _____
Cheque no: _____ Date: _____

Cheque received by borrower, terms accepted and copy of Loan Approval given to borrower:

(Borrower) (Loan Administrator) (Date)

Copies of completed approval to: - Borrower
- Circle Chairperson
- Loan Administrator
- Calmeadow

BARTER SYSTEMS



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A Barter System Might Start Like This...

Catherine was a single mother of two pre-school children from a small town in the interior of B.C. She was laid off work and after her U.I. benefits ran out, she moved to Vancouver in the hopes of finding a job with good pay. However, competition in her field was fierce and after two unsuccessful months her savings were gone and she was forced to collect welfare. Because she could not afford to hire a baby-sitter and she didn't know anyone in Vancouver well enough to ask them to help her with child care, she was unable to leave her children at home while she looked for work.

Catherine's situation became desperate as she grew more and more isolated and depressed. Finally one day she saw a notice about a support group for single mothers at her local Family Place. There she found eight other women in similar situations. Taking care of their young children alone left them without the resources or support to improve their lives, or even to take time out for themselves.

The women met to discuss their situation and soon they organized a child care exchange network. At their first meeting they wrote up a sheet with all their phone numbers, the hours they were available to provide child care and the hours they needed child care. They left it up to individual members to contact one another and exchange services.

At the next meeting someone had another idea. Instead of trading hours directly with one another why not set up a system of *barter credits* and *debits* so that hours were owed to the group at large, not to a particular individual? The idea caught on. Catherine agreed to keep track of hours given and received. The Family Place agreed to let the group use its answering machine. Each time one woman looked after another's child she would phone in and leave a message saying her name, how many hours she had provided and who received them. Catherine would play back the messages and keep a record of hours given and received. Later, she began using a computer spreadsheet to keep track of the exchanges.

The women met once a month to pass out up-to-date balance sheets and to support each other in other ways. They found that the child care exchange was allowing members to look for jobs, do volunteer work and upgrade their marketable skills, or take well-deserved time for themselves. Soon the women had extended their exchange network to include all kinds of work for one another,

such as formatting resumes on a computer or doing housework and gardening. Then the women began to trade clothes, furniture and garden produce. They kept track of every exchange on the Family Place's computer. This allowed women to gain services and goods without having to use their limited cash supply. It also allowed them to make good use of their skills and to have them valued by others. Eventually the system grew out of the Family Place and into the community at large.



WHAT ARE BARTER SYSTEMS?

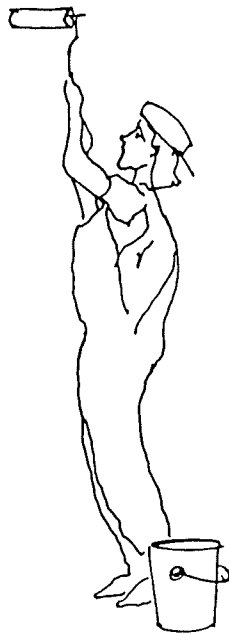
Informal bartering is a direct exchange between two or more people where goods, services or skills of near or equal value are traded without money changing hands. So, for example, sisters and friends trade child care for each other's children, massage sessions for guitar lessons, garden potatoes for a neighbour's tomatoes, or old clothes for furniture. The idea at work here is "what goes around comes around". This kind of trading helps sustain people when times are hard and they need every bit of cash to pay the bills.

A formal barter system creates its own currency. Members of a community trade with one another either by using a credit and debit system (such as the one described in the story) or by using a local paper currency.



Lee Mackay

There are currently over 500 formal barter networks operating around the world. They are mainly in Australia, New Zealand, the U.K., the U.S.A. and Canada. There are several in the province of B.C., and some in Alberta, Saskatchewan, Ontario, Manitoba and Eastern Canada.



Emily Elliot

Credit and Debit Systems

In a credit and debit system people have an account which is credited or debited when they make an exchange. In Comox Valley, B.C., the LETSystem uses a computer program to record these transactions, but they could be recorded by hand in a notebook or ledger.

Here's an example of how this kind of formal barter system works: Gerri sells Anne a truckload of firewood. Anne phones in the exchange to credit Gerri's account. Gerri's account registers 40 credits while Anne's registers 40 debits. As the two women go on to trade with others in the system, the amount of credits and debits in their accounts will rise and fall. New members sometimes take awhile to learn not to "hoard" credits or to worry about accumulating debits. In fact, a continual flow of trading is essential to keep the system alive and healthy.

The value of *barter credits* and *debits* is usually determined to be equal to cash. For example, one



Lee Mackay

credit would equal one dollar. Credits and debits can be given names like "clams", "green dollars", or in Malena, Australia, "bunyas". Just as in many cash transactions, the value of any product or service is determined by both the person offering it and by potential buyers. Exchanges can use a combination of cash and credits. This helps to cover taxes and other costs that must be paid with cash.

Local Currency Barter Systems

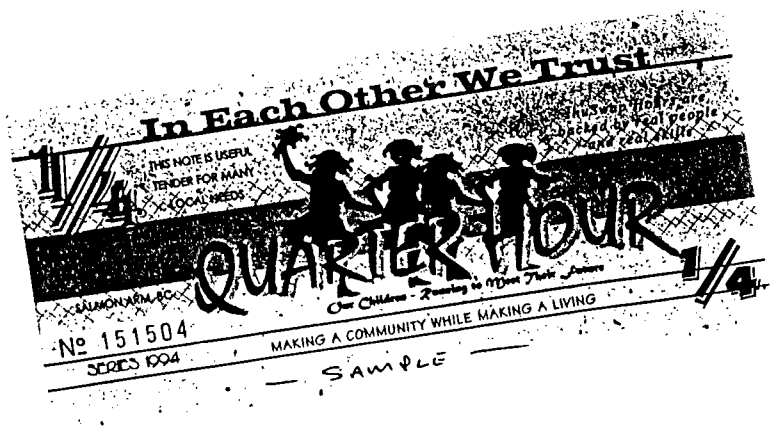
In Salmon Arm, B.C., the Shuswap Barter Club recently launched its formal barter system. Instead of a computer program keeping track of debits and credits, they use "ShuSwap hours" - a local paper currency that comes in values of one hour, a half hour and a quarter hour. It is only usable within the Shuswap area, so it is used over and over, never leaving the community. The local currency is used to buy goods and services, and is accepted by several local businesses.

In Ithaca, New York, the local barter currency is called "Ithaca Hours". Each Ithaca Hour is worth \$10, which is equivalent to the average wage in the area. People are encouraged to pay or charge an Ithaca Hour for each actual hour of time worked. People are allowed to charge more (for example, dentists and lawyers often charge more), but increasingly the Ithaca Hour is being used equitably. In effect, for participants in the barter system, the minimum wage in the area is \$10 per hour!

HOW ARE BARTER SYSTEMS STARTED?

Informal barter systems are created simply by making a trade with someone. People might barter with friends, neighbours or people at work by exchanging goods or services without exchanging cash. (This is how the women in the story at the beginning of this section got their system started.)

Formal barter systems are usually formed when a group of people living and working in an area discover a common interest in improving the local economy and in exchanging products and labour without using cash. They might get to know each other through local community agencies, through common friends or in support groups. Regular meetings are often held to discuss how the system is working and to iron out any kinks that emerge. Often membership in the barter system entitles people to attend and vote at meetings. This way people have a say in how the system is



working and what changes need to be made. To give you an idea of the policies a barter system might use we have included the "Member Application Form" for the Shuswap Barter Club as our Sample Document at the end of this section.

Trading systems can be big or small. They might start small to suit the current needs and energy of the community and later extend to include the majority of the community. Barter system members could trade one kind of service, such as child care, or a variety of skills and services. The more products and services available in a system, the more trading there can be.

Local businesses and *non-profit organizations* can also participate. Many barter systems contact local businesses to see if they want to get involved. Their support can be encouraging to people and other businesses and this helps systems grow.

Barter system members often publish a list of goods and services offered by members of the network so that there is an opportunity for people to both advertise and find the goods and services they need. (The system in Ithaca has 1200 listings). It can be especially helpful to create a directory of skills and services for women to go through to help them find ones that describe or match their own. Since so much of the work that women do is overlooked and undervalued, the experience of recognizing skills and abilities as tradable can be very exciting and affirming.

Community reasons for starting a barter system

Starting a barter system may be part of a community's plan to build a healthier local economy. When cash is used to purchase goods and services, the money is gone not only from an individual's pocket, but often from the community as well. In barter systems, the credits or local currency stay in the community where they continue to work for everyone. Every debit incurred creates a credit, every local dollar or hour spent creates spending power for someone else which in turn can be used to spur on the local trading economy.

Trading that uses a local currency or a system of debits and credits is based on the resources and skills that actually exist in a community. Exchanges take place according to what is needed and what people have to offer. Formal barter systems can challenge the large-scale economic forces that disrupt and destroy communities. For example, a community that has depended on fishing can be plunged into poverty when the fishing industry slows down; but people in that community still have skills to offer and goods to exchange. A formal barter system can help to get the local economy moving again because it provides an alternative way to measure and trade goods and services that doesn't rely solely on cash.

OTHER QUESTIONS TO THINK ABOUT

Do income taxes and other taxes apply to bartering?

It is important to know what tax regulations apply to the system you are starting or joining. The current official position of Revenue Canada is that any trade of goods and/or services is taxable when the goods or services are business-related. There may also be provincial tax regulations about bartering where you live. Rather than exploring all the various possibilities in this Kit, we suggest that you contact the resource groups listed at the end of this section for more information.

The development of barter systems in communities across Canada means that more people are thinking about ways to encourage local economies to grow and flourish. Barter systems are creating a new form of wealth and it is not easy to figure out how the rules of the "old" cash economy should apply. In general, the tax system reflects the interests of large corporations, allowing them to defer or "write off" billions of dollars in taxes every year. A fair tax system would strengthen local initiatives that build more self-reliant communities. If you become involved in starting a barter system, you may want to participate in lobbying for changes to the current tax regulations to make them more supportive of innovative community strategies.

How would bartering affect someone on social assistance?

Generally, a person who receives income assistance and participates in a barter system is required to report any exchanges of goods or services as income. This can result in a reduction of social assistance benefits. If you are receiving social assistance and want to start or participate in a barter system, it's important to get as much information as you can about the regulations that apply to you. The groups listed at the end of this section will be a good source of information. You could also talk to others who are receiving social assistance, to welfare rights groups or to your worker about participating in a formal or informal barter system.

It doesn't seem fair or sensible that people who are on social assistance, living below the poverty line, should be penalized (by losing benefits) for their efforts to improve their situation. You may want to join with others who are working to make the social services system more responsive to people's needs and dreams.



BENEFITS AND LIMITATIONS OF BARTER SYSTEMS

When you are considering barter systems as an alternative financing strategy, here are some things to think about.

BENEFITS

Barter systems are great because they ...

- don't require cash for buying goods or services
- can help women realize that our worth is not dependent on how much money we earn
- show women that we have many skills and resources to offer our communities
- help build community and support networks

If you start an informal barter system ...

- you don't need as many resources as to start a more formal system
- you can get the goods or services you need in a fairly short time

If you start a formal barter system you can ...

- make communities more self-supporting and self-reliant
- help create a local economy that is sustainable and is based on the resources that are actually there
- get businesses involved in community development and committed to the community
- reduce imports and dependency on external forces such as changes in interest rates or the value of the country's currency
- help create a more humanistic economy, one which supports people and cottage industries, not the profit of large corporations
- help put control back in people's hands to stimulate their local economy
- make "women's work" visible in the community

LIMITATIONS

There are limitations to barter systems such as ...

- they are not sustainable without continued commitment of all participants
- tax policies may impede trading
- social assistance regulations may impede trading

If you start or join an informal barter system ...

- the small number of people trading will limit the variety of trade

If you start a formal barter system you will want to keep in mind that ...

- people may object to the recording of financial information on a computer available to the public
- it takes awhile to get going on a large scale
- people need to learn that frequent trading is essential for the success of a credit and debit system. They don't have to "hoard" credits or worry about accumulating debits

WHERE TO FIND OUT MORE INFORMATION ABOUT BARTER SYSTEMS

Ithaca Money

Box 6578
Ithaca, N.Y. U.S. 14851
Paul Glover (607) 273-8025

Ithaca Money is a barter system operating in Ithaca, New York which has been used by over 1,000 people to make thousands of trades valued at several hundred thousand dollars. You can write the organization for a copy of their newspaper, Ithaca Money; you can order "The Hometown Money Starter Kit" which explains step-by-step how to start up and maintain a local currency/barter system. The Kit costs (U.S.)\$25. They also sell *Hour Town*, a video about their local currency for (U.S.)\$25.

Shuswap Barter Club

2151 21st Street N.E.
Salmon Arm, B.C. V1E 3E4
Erik Hansen (604) 832-6715

The Shuswap Barter Club offers an alternative method of exchanging talents, skills and time. A locally created currency called the "ShuSwap Hour" is used as a medium for bartering labour and goods. Feel free to contact the club for help or information.

Landsman Community Services Ltd.

1600 Embleton Cres.
Courtenay, B.C. V9N 6N8
Shirley Wade-Linton
(604) 338-0213 (604) 338-0214

There are over 500 LETSsystems operating around the world. Landsman Community Services sells an information package for \$50 that includes: 50 pages of printed text, a 3.5" diskette for IBM compatible computers (software to run a LETSsystem) and a 600 page manual.



SHUSWAP BARTER CLUB

"Making a community while making a living"

Membership Application Form

Yes, I want to support and help strengthen our local economy. Enclosed is my \$20 membership fee. In return I will receive a membership kit which includes: 4 shuSwap Hours (2 -- 1 hour, 3 — ½ hour, 2 — ¼ hour notes), 1 year subscription (6 issues) to "the shuSwapper", 4 lines of advertising space in the "the shuSwapper", also included are 2 Membership Application Forms (for new members), and an information flyer (for distribution). I agree to accept/spend shuSwap Hours in exchange for my/others goods & services.

Name: _____ [I.D. Number: _____]
(For Official Use)

Address: _____

City: _____

Postal Code: _____

Telephone: _____ Home

_____ Work Signature: _____

Complete and mail this form along with membership fee to:

SHUSWAP BARTER CLUB
2151 - 21 Street N.E.
Salmon Arm B.C.
V1E 3E4

SAMPLE

List and describe your service or goods below:
We will use name and phone from above. 4 lines are free with membership - additional lines \$2 each.

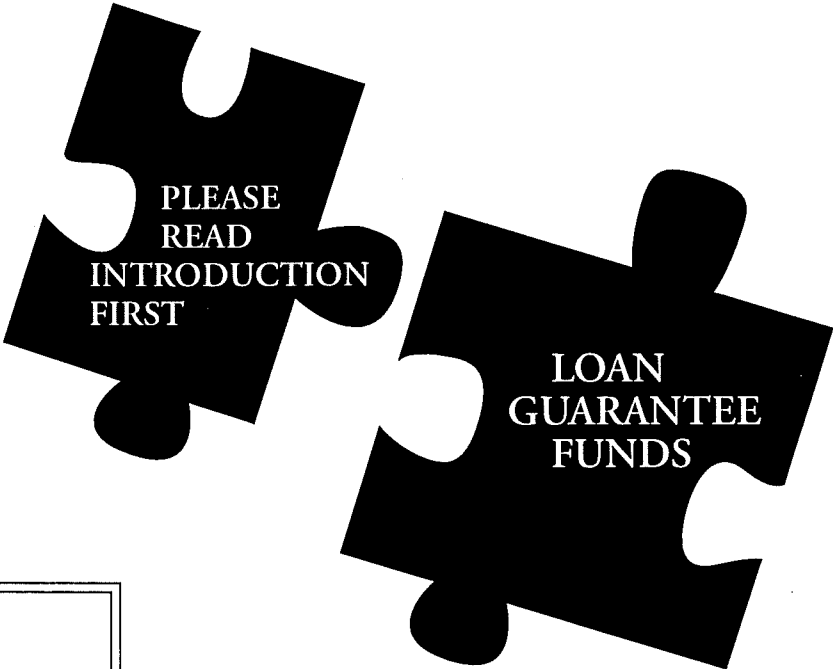
e.g.: ++ HERBAL: courses, workshops, specialized instruction Yarrow Alpine 832-8393

++ OFFER _____
++ OFFER _____
++ OFFER _____
++ OFFER _____

-- REQUEST _____
-- REQUEST _____

++ indicates an offered service or goods; — indicates a requested service or goods

LOAN GUARANTEE FUNDS



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A Loan Guarantee Fund Might Start Like This....

In a small town in B.C., the women's centre decided that something had to be done so that women could get loans when they needed them. Over the past year, staff and volunteers had kept a log of women's reasons for calling the centre and found that an increasing number were from women who were not able to get loans from local *financial institutions*. The stories women told covered a range of circumstances, but they were all infuriating! For example, two women who were running a small T-shirt business couldn't get a loan for some new equipment because they had never borrowed money before: without a *credit history*, the bank was not willing to review their application. Another bank turned down an application for a start up loan for a co-op craft store because three of the members' incomes included child support payments. The bank did not consider the payments to be stable income sources. Many callers were outraged because they had been told that a relative (usually "your husband") would have to *co-sign* or *guarantee* the loan - that is, agree to re-pay it if she didn't. In addition to feeling insulted, women were being blocked from proceeding with their projects and plans.

The women's centre decided to invite a group of interested women to think about ways to increase women's access to *credit*. One idea was to raise money and lend it to women who needed loans. Another suggestion was to raise a pool of money and use it to guarantee loans.

The group liked the *loan guarantee fund* idea best for a few reasons. The money in the fund would be used only if a loan was not re-paid. That meant the *capital base* could be earning interest even while it was "working" to guarantee loans. Also, it was a way to challenge financial institutions to do things differently and work co-operatively with the women's centre to make loans to women, instead of setting up barriers. The women who got loans would have the chance to build a credit history with a financial institution. The group thought individuals and organizations would be enthusiastic supporters of a loan guarantee fund because it was an exciting new way for the women's centre to get involved in the community economy.

All the interest in this idea led the women's centre to explore many new questions. The Give Women Credit Committee was established to investigate various issues and to present their findings to the Centre's board. Fortunately, one of the Committee

members worked at the credit union and was willing to help work out the “technical” details involved in setting up the loan guarantee fund. There were also important decisions to be made about the purpose of the fund. Some women thought it should be available to guarantee personal and business loans. Others thought the focus should be on women working together on a business or non-profit project. All agreed that if the women’s centre was going to sponsor the project, the fund needed to contribute to the well-being of the whole community. The Committee decided to propose criteria for the fund based on discussions with women at the centre and within the community.

The next issue the Committee discussed was how to raise money for the fund. Would people be able to make investments in the fund? What about donations? What effect would either method of fund-raising have on the legal status of the women’s centre as a charitable organization? Administering the fund would stretch the resources of the centre. Were there sources of funding for operating expenses, such as office space? Committee members decided to contact organizations which administer loan guarantee funds and relevant government agencies to get more information.

The work being done by the Give Women Credit Committee created even more interest and lots of excitement in the community. After the local newspaper wrote a story about the idea, a bank manager called to see how she could help and a lawyer offered her services to the women’s centre. There were also many calls from women needing loan guarantees. The centre knew it had struck the right chord in the community. It was easy to predict that soon the T-shirt business and the craftswomen would get the loans they needed and there would be enough money in the fund so that other women could use it to get loans, too.



Logo of Herstory House for Women in Crisis, Chetwynd B.C.

WHAT ARE LOAN GUARANTEE FUNDS?

A loan guarantee fund is a strategy for making the most of the limited resources that may be available in a community. Loan guarantee funds are actually a kind of *revolving fund*, a way of recycling money in the community to those members who need it.

Although some revolving funds lend money directly to borrowers, a loan guarantee fund does not. When people don't have a house or other property to use as *security* or *collateral* for a loan from a *financial institution*, the money in a loan guarantee fund can be used to *guarantee* their loans.

Loan guarantee funds may be very large government programs or smaller scale community structures. This section mainly describes loan guarantee funds that are started and administered by community organizations.

HOW ARE LOAN GUARANTEE FUNDS STARTED?

Many women may have participated in a relatively *informal loan guarantee* process when an individual (or group) asks friends or family members to *co-sign* or guarantee a loan, usually from a financial institution. The co-signer or *guarantor* is responsible for re-paying the loan if the borrower does not. A group of people could jointly guarantee a loan, although financial institutions are not always willing to accept a group guarantor and may require each individual to personally guarantee the loan. Sometimes a community organization may have a sum of money available at the end of a project that could be used as security for a loan to get a new project started.

Formal loan guarantee funds are generally sponsored by an organization in the community, such as the women's centre in the story at the beginning of this section, or by a foundation. Many funds also decide to provide *technical assistance* for borrowers. Borrowers may be asked to participate in a business skills program where they learn about marketing, budget forecasting or other business-related

topics. Setting up a network of borrowers who can support one another is another way to assist them in getting the technical information they need. Other funds request regular meetings with borrowers or ask for monthly financial reports.

Starting a formal loan guarantee fund involves a considerable amount of work. The *capital base* of the fund needs to be built, which involves designing the method for raising funds as well as doing the work of fund-raising. Relationships with financial institutions need to be established and clearly outlined. Sponsorship of a loan guarantee fund by a community organization also involves a number of requirements such as the need for Directors to approve decisions to use the fund and to sign final documents. If the sponsoring organization is a *non-profit society*, its constitution must be carefully examined to ensure that a fund is a permissible activity, especially if the society has charitable status.

One of the most important questions for an organization to ask when setting up a loan guarantee fund is who is expected to use it? As the story at the beginning of this section described, a thorough exploration of the objectives of the fund could involve extensive consultation with community members.

A group's overall vision for its fund will help maintain its focus. For example, after years of hearing from women who couldn't get loans to start or expand collective or co-operative businesses or projects, WomenFutures, a non-profit women's organization based in Vancouver, decided to create a financing structure to meet that need. From the society's work in *community economic development*, it was clear that there was enthusiasm to support the kind of *social investment* opportunity a loan guarantee fund would provide. The WomenFutures Loan Guarantee Fund's criteria for eligible borrowers reflect its main purpose: to promote women's collective and co-operative activity. The criteria are illustrated in detail in

the Sample Document at the end of this section: Guidelines for Applying for a Guarantee.

There are also many loan guarantee funds that provide guarantees to assist individual women to start a business, especially when they need small loans.

OTHER QUESTIONS TO THINK ABOUT

How does money get raised for a community loan guarantee fund?

The two main methods for raising money for any loan guarantee fund are by encouraging individuals or organizations to make either investments or donations.

Many community organizations count on investments or loans from individuals to build and maintain the capital base of their loan guarantee funds. Organizations such as housing co-operatives or credit unions can also be encouraged to invest a portion of their *surplus* in a community fund. Union pension funds are another potential source of investments.

The sponsoring group has to decide whether to pay interest on investments and whether the interest rate should be the same as banks and other financial institutions pay. Some funds emphasize the social benefits of the investment, such as the improved quality of life for everyone in the community when new women-controlled enterprises are established, while other funds offer a higher rate of interest to attract investors. Each sponsoring organization establishes its own policies depending on its objectives and its assessment of support for their fund in the community.

Currently in Canada, there are no *tax credits* for investing in community-based funds, although larger-scale government initiatives (such as the Working Opportunities Fund in British Columbia) do provide a tax incentive. In Ontario, investments in funds administered through the province's Community Loan Guarantee Program are guaranteed by the

program. Organizations involved in developing and operating community loan guarantee funds are beginning to work together to lobby the federal government to revamp Revenue Canada's policy in this area so that investment will be encouraged.

Donations are the other major way of building a pool of money for a loan guarantee fund. If the sponsoring organization has a charitable tax number, it may be possible for donations to be eligible for tax credits. There are currently some "test cases" under way in Canada to convince Revenue Canada to consider this option. Other sources of donations include religious organizations and bequests.

How do community loan guarantee funds cover their operating costs?

One of the biggest challenges of a community loan guarantee fund is to find the money to pay for the costs of operating, such as overhead (rent, telephone, etc.) and administration. Provincial or federal government grants may be available for the initial research for setting up a fund. Community organizations or foundations may also be sources of funding for development.

However, covering costs remains a problem for most organizations with loan guarantee funds. Some sponsoring organizations raise money for part of the ongoing administrative expenses of



Debbie Bryant

their funds by charging a borrower's fee for using the fund. A portion of ongoing expenses could also be covered by interest earned on the capital base of the fund, depending on its size. Many sponsoring organizations rely on volunteers and/or squeeze money from other projects to pay for the expenses of running their funds. In some cases, good partnerships can be established with allied groups who are willing to share their facilities, equipment or other *assets*.

How do organizations figure out the design for their loan guarantee fund?

Starting a loan guarantee fund also involves dealing with many technical issues: How will the fund interact with financial institutions? Who will administer the fund? Will there be a fee to use the fund? Will borrowers be required to participate in a technical assistance program?

Putting together a process that will assist borrowers and be accountable to investors is a challenge! It is important to find out what resources are already available in your community and to let community members know about your goals and needs. You may be able to get help and support from a variety of sources such as a local credit union that wants to support community economic development; individuals with expertise or experience (legal, financial, etc.) who are willing to be board members or provide services; or local media services (TV, radio, newspapers) that will publicize your project.

In addition to the potential support available in every community, many groups with loan guarantee funds are willing to share information and materials. The experience of the organizations listed at the end of this section could be very helpful to you and your group.



BENEFITS AND LIMITATIONS OF LOAN GUARANTEE FUNDS

When you are considering a loan guarantee fund as an alternative financing strategy, here are some things to think about.

BENEFITS

Community loan guarantee funds are great because they ...

- make a new pool of credit available in the community
- provide an opportunity for individuals and groups in the community to direct money to the activity they want to support
- provide an important educational opportunity to demystify financing mechanisms
- highlight the problem of access to credit by women and offer financial institutions a way to co-operate in solutions

If you participate in an informal loan guarantee process ...

- you can help an individual or group get the credit they need quickly
- you can do it with low or no administrative costs

If your organization sets up a formal community loan guarantee fund structure you can ...

- create a community-controlled financial structure that meets people's needs
- make a large pool of capital available that can be used over and over again
- demonstrate the power of community activity in contributing to community economics

LIMITATIONS

There are limitations to community loan guarantee funds such as ...

- the need to learn a lot about the technical aspects of financing loans
- a group will need to be able to make many decisions together about how the fund will be used and managed
- the co-operation of a financial institution is required
- the demand for guarantees may be greater than the pool of money available
- a fund with a specific focus, such as one that guarantees small loans of less than \$5000, will exclude women who need to borrow more

If you participate in an informal loan guarantee process ...

- it may require more work than you can contribute
- financial institutions may not accept a "group guarantor" for a loan
- financial institutions may insist on individuals' guarantees when a non-profit society is guaranteeing a loan
- there is no cushion – any losses from unpaid loans are borne by the group

If your organization sets up a formal community loan guarantee fund ...

- money will need to be raised for the capital base of the fund
- it will likely be difficult to raise money for operating costs
- it may be difficult to get financial institutions to co-operate
- legal work will be needed to establish the best structure
- a demand for ongoing technical assistance services may develop which the sponsoring group may not have the resources to provide
- losses are bound to occur and the group will need to be prepared to maintain community support
- although establishing a community loan guarantee fund is a rewarding experience, it is a long term project that requires significant contributions of time and energy

WHERE TO FIND OUT MORE ABOUT LOAN GUARANTEE FUNDS

Canadian Women's Foundation

Suite 208, 214 Merton St,
Toronto, Ontario M4S 1A6
Bev Wybrow (416) 484-8268

The Foundation supports projects that increase women's access to credit through its Economic Development Grants Program. Although the Program has limited funds available, it could be a source of funding to help a women's organization develop a community loan guarantee fund.

Women's World Banking Inc.

8 West 40th St.
New York, N.Y., U.S. 10018
Valerie Brown
(212) 768-8513 fax (212) 768-8519

Women's World Banking (WWB) is a network of over 50 independent affiliates located in 40 countries around the world. The network provides financial and non-financial services - including a loan guarantee, capitalization, technical assistance and training to member institutions. Affiliates provide direct service, primarily small loans and business counselling, to low-income women entrepreneurs. Affiliates also work to alter government, bank and business policies and practices to support the interests of their clients. WWB's Canadian affiliate is:

Women's World Finance/Cape Breton Association (WWF/CBA)

P.O. Box 1142, 54 Prince St.,
Sydney, N.S. B1P 6J7
Adelle MacDonald
(902) 562-1772 fax (902) 562-4273

WomenFutures

Community Economic Development Society

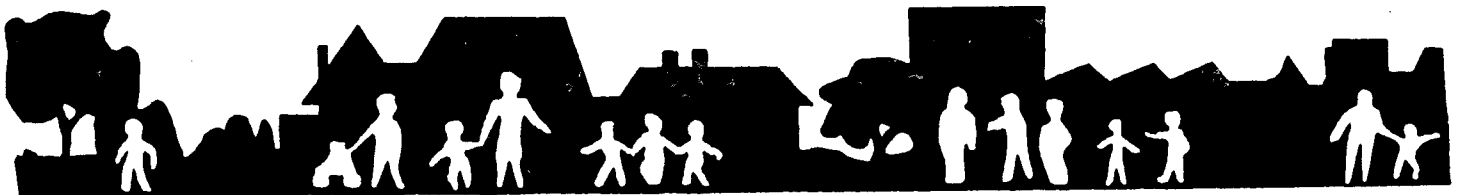
217-1956 West Broadway
Vancouver, B.C. V6J 1Z2
Lucy Alderson or Melanie Conn
(604) 737-1338

WomenFutures administers a Loan Guarantee Fund that provides loan guarantees for group-oriented projects operated by women or women's organizations.

Calmeadow

4 King Street W. Suite 300
Toronto, Ontario M5H 1B6
Jennifer Harold
(416) 362-9670 fax (416) 362-0769

Calmeadow has worked with many communities to develop loan guarantee funds for lending circle programs and for direct lending. They also have an extensive library of information about micro-credit loan funds in North America. Contact Jennifer Harold to find out more information about their technical assistance resources.



WOMENFUTURES LOAN GUARANTEE FUND GUIDELINES FOR APPLYING FOR A GUARANTEE

SAMPLE

Background

The major objective of the WomenFutures Loan Guarantee Fund is to promote community-based business that involves women working together to build the social and economic health of our communities.

Specifically the Fund was established to facilitate access to capital for groups with a focus on women's collective or cooperative enterprise development. Such groups often have difficulty obtaining needed capital for development or expansion.

The WomenFutures Fund will provide guarantees for loans from accredited financial institutions for projects that:

1. Meet the Essential Criteria established by the WomenFutures Community Economic Development Society to meet our major objective
2. Meet a majority of the Desirable Criteria

Application Process

1. WomenFutures staff will provide information and assistance to applicants throughout the application process about the various Criteria or any other aspect. Please call or write to us if you want to discuss your application.
2. Since the Fund provides guarantees for loans, WomenFutures staff will consult with the financial institution where you are planning to get a loan. WomenFutures will work with the applicant and with the potential Lender (the financial institution) to establish the specific role of WomenFutures and the terms of the guarantee. If WomenFutures agrees to guarantee your loan, these terms will be described in an Agreement between WomenFutures and the Lender.
3. The WomenFutures Guarantee Committee will review each application for a guarantee in consultation with WomenFutures staff and will recommend applications for approval to the Board of Directors.
4. Upon approval, the Applicant and WomenFutures will sign a Borrower's Guarantee Agreement outlining the specific terms and conditions of the Guarantee. WomenFutures staff will discuss the Borrower's Guarantee Agreement with the Applicant to ensure that it is appropriate and acceptable.

Please make your application separately from these guidelines and include as much information as you think is required for us to understand your project

I. Please indicate how your business project meets the following **ESSENTIAL CRITERIA** for eligibility for a guarantee:

1. A group enterprise controlled by women.
2. Economic feasibility
 - a) A plan for all aspects of the business should be presented as part of your application for a guarantee. Your business plan should include information about the feasibility of the business and financial projections for three years, including the ability to repay the proposed loan.

- b) We also want to know that your group is able to carry out the tasks to make a new business work well or to make an existing business work better. If group members do not yet have the skills and information; please include your plan for acquiring the necessary training. We are also interested in a description of your group's process of working together.
 - c) Your description of economic feasibility may also include services or products provided to workers such as on-site childcare, access to facilities or flexible hours of work. In situations where cash equity is not available, we may consider contributions of labour as "sweat" equity. We are also willing to assess the financial responsibility of the group as a whole, rather than each individual's personal financial circumstances.
 - d) Since the WomenFutures Fund provides guarantees for loans from accredited financial institutions, the proposed relationship with the Lender should be described in detail. Please describe the purpose of the loan your group needs. The amount of the WomenFutures guarantee will vary depending on the specific circumstances of the Applicant and on the requirements of the lender.
- 3. Democratic or collective governance structure that maximizes worker control and profit-sharing
 - 4. Social value of the product or service, particularly in terms of benefits to women and their families
 - 5. Commitment to a high standard of workplace health
 - 6. Evidence of community support for the enterprise

II. Please indicate how your project meets the following DESIRABLE CRITERIA for a guarantee:

- 1. Affordability of the product or service
- 2. Enhancement of the environment
- 3. Special quality of life benefits
- 4. Local buying policies
- 5. Special contribution to the community
- 6. Establishment or participation in a network

We are interested in your group's response to these criteria. Once again, please feel free to call or write us about any aspect of the application process.



WHAT'S NEXT? 1

STARTING A PROJECT IN YOUR
COMMUNITY 1

SHARING INFORMATION ABOUT
ALTERNATIVE FINANCING 3

STARTING A PROJECT IN YOUR COMMUNITY

We hope the information in **WOMEN GET CREDIT** has provided a good introduction to some alternative financing methods. We also hope you are interested in developing your own ideas about the kind of alternative financing project that makes sense for you and other women in your community.

This section presents some suggestions for following up on your interest whether you want to start a project or find out more about alternative financing.

Getting together with women in your community

All four alternatives described in this Kit started with a story about a group of women talking about the problems they had in common and figuring out how to solve them together.

Are there women in your community who are interested in alternative financing? You could invite a group of friends over to your home to talk about one of the strategies that interests you. You could also pass around the information in this Kit to see who wants to talk about it more.

If you are a volunteer or paid staff at a community organization, it might be a good idea to set up a committee or working group to do some research about alternative financing. You could put a notice in the organization's newsletter or on the bulletin board to invite women to participate on the committee.

Please feel free to use the material in this Kit as part of your invitation! We would appreciate an acknowledgement of **WomenFutures** if you do copy any of the information.

Talking about alternative financing methods

We tried to bring the four alternatives to life in the stories at the beginning of each section in the Kit. Of course, no written information can really "come alive" without you and other women. When you are sitting around someone's kitchen table or in the women's centre meeting room, it's a lot easier to share experiences and imagine how you could solve problems together. And remember: all the information in this Kit was once "just ideas"!

These first conversations can be very exciting because deciding to create our own financial structures is a powerful step to take. Although this Kit describes a number of strategies, these can (and should) be adapted to reflect the interests and strengths of your group. Every group develops its own vision and its unique way of operating.

Here are some questions you might consider discussing at your first meeting:

- What appeals to you about a particular alternative financing strategy?
- Why does it make sense as an option for you right now?
- Is there a way you could combine or blend strategies in the Kit?
- How could the alternative benefit your community?
- Do you think other women (or organizations) in your community would be interested in working with you?
- What problems do you think may come up and how could you deal with them?

The group will probably think of other questions as you explore your ideas together. If you decide to take the discussion further, an

action plan may help you focus on what needs to be done. Here's a suggested outline for developing an action plan.

Making an action plan

Your action plan does not need to be complicated. It's really a way of thinking about what needs to be done and figuring out how to do it. Making an action plan is also a great opportunity for everyone in the group to participate.

1. Brainstorming about what needs to get done

One way to begin your planning is to do some brainstorming about what needs to get done. In brainstorming, everything anyone says gets written down on a list. If the list is on a big piece of paper or a flip chart, the group can look at it together.

2. Organizing the work

It often happens that a brainstormed list can be re-organized into categories and tasks. Here is a sample of how a group that wanted to form a lending circle might have organized the work to get started. (see flip chart illustration).

3. Setting up a time-line

Who will do what? And when? How long it will take to move the project along depends on a lot of factors, such as size and scope, and the availability of volunteer or paid time. Setting up a time-line that outlines when specific tasks will be accomplished and when decisions will be made can help everyone feel more comfortable about the process. A time-line also helps the group stay "on track".

What we need to get
a LENDING CIRCLE in
our community

MORE INFORMATION

- about other programs
- about social assistance regulations

MORE PEOPLE!

- women interested in this idea
- publicity

SKILLS

- legal - can the women's centre be a sponsor?
- computer program to keep records
- writing - to describe the project in clear language

SUPPLIES

- stamps, paper
- phone, fax, photocopying

LOCATION

- a place to meet

MORE MEETINGS!

- schedule, phone list

DO TIME-LINE - who will do what? & when?

Seeing it through

Some projects may take longer to get off the ground than others. But the encouragement and appreciation group members give each other will make it easier to sustain the energy you need to do what you want.

We're sure your group will have the resources and skills to carry out some of the tasks you have identified. You may need to reach outside the group for other resources which will give you the chance to introduce your project to the community, and an opportunity for your community to support an exciting new resource.

Another WomenFutures publication, *Counting Ourselves In*, provides a framework and a process for exploring women's community economic development. You may find it useful as you are getting started.

SHARING INFORMATION ABOUT ALTERNATIVE FINANCING

There is much more to find out about the four alternative financing strategies described in this Kit. We encourage you to contact any of the organizations listed at the end of each section.

Many of them have information packages about their projects which they will send on request. Most organizations are willing to answer your specific questions about the work they are doing.

If you want to clarify any of the information in this Kit, please contact us at WomenFutures. We will be happy to talk with you about your questions and ideas.

No doubt, many of you will have information to share based on your exploration of alternative financing and your experience in developing a strategy in your community. Your work will provide valuable information and inspiration for other groups. We encourage you to connect with the growing network of women involved in alternative financing.

In the future, we may want to add material to the Kit. We are also developing a workshop on alternative financing. Please let us know your ideas and suggestions for communicating this information to others.

Be sure to fill out the Network Information Form and send it to us as a first step towards sharing information about alternative financing.

Good luck!

