

Five Talents

Fighting Poverty, Creating Jobs, Transforming Lives

PERU TRIP REPORT: 7-11 MAY 2007

UK Team: Tom Sanderson (Director); David Fletcher (Trustee); Erik Josephson (Volunteer)
US Team: Craig Cole (Director); Helga Buck (Administration); Kelli Ross (Communications)

Day 1:

Diocese of Peru:

Met Anglican Bishop of Peru, Rt. Rev. William Godfrey – an Englishman who has been Bishop of Peru for 9 years, and was formerly in Ecuador for 12 years.



Bishop William welcomed us and gave a brief introduction to Peru. Total population of 27 million, of whom 10 million live in Lima. The city centre is wealthy and developed. However, two-thirds of the urban population live in slum areas on the edge of the cities. There is no water or sanitation and conditions are dire. These people have “invaded” the cities from rural areas (mountains and jungle) looking for work. They have not found work and Five Talents is providing a marvellous service to enable people to create jobs.



Most of the population express a faith – the largest being the Christian faith, with 85% catholic, 2% Anglican (around 540,000 people) and other protestant denominations the rest. The Bishop is keen to express faith through social outreach – practical initiatives to help the poor irrespective of denomination – and he welcomes the partnership with Five Talents which has lasted 3 years.

Our visit is a good opportunity to evaluate the partnership. There was a desire for more cooperation between ECLOF (the microfinance implementer) and the Anglican church who has a growing presence in the communities. For example assisting one another in communications, visiting clients, attending training days, mobilising groups.

Ecumenical Church Loan Fund (ECLOF)

Carlos Ventura is the Director of ECLOF Peru, affiliated to ECLOF headquarters in Geneva and associated with the World Council of Churches. ECLOF has been operating in Peru for 20 years and now has a staff of 30 people in several offices. Their motto is “fair credit for the poor”.



They have observed the commercial banks entering the microfinance market (down-scaling), and some micro-finance institutions (MFIs) being bought out or converting

“Master,” he said, “you entrusted me with five talents. See, I have gained five more.” (Matt. 25:20)

into regulated commercial banks (scaling-up). ECLOF Peru is committed to serving the poor communities on a sustainable and not-for-profit basis. This matches with Five Talents vision and the vision of the church.

ECLOF's niche is to provide group loans, quickly with rapid pay-back, supported by Loan Officers (analysts) who "accompany" the clients – quote: *"The small loan is not simply a financial transaction: the analysts accompany the poor and stand alongside them in their process of development through training and business development."*

The average starting loan is £65 per person, paid back over 4 months with 2.5% interest per month (flat rate). The interest rate is comparable with other MFIs and banks, and much less than the loan sharks.

Five Talents (UK and USA) have made grants totalling £58,722 to date which is currently providing loans to 1476 clients, of whom 85% are women. They are seeking a grant from Five Talents of £40,000 in 2007 to expand significantly the number of clients in the existing project areas in Lima.

They are also considering alliances with organisations to provide microfinance to the following 4 target groups: 1. disabled people; 2. people with HIV/AIDS; 3. those displaced by violence; 4. teenage mothers.

Planet Rating

We met Jared Miller, an American who is Latin America Director of Planet Rating, a microfinance rating agency. He gave an overview of microfinance in Peru, saying that there are vast numbers of people still without access to financial services. He recommended that ECLOF focus on their target group – the poor communities – and continue providing financial and non-financial services concurrently. His firm has not yet rated ECLOF Peru.

Jared is moving to Boston in July and will be studying a Masters at Harvard. He showed interest in joining the Five Talents Programme Review Committee.

Day 3:

Visit to ECLOF branch and clients in San Juan de Miraflores in the south of Lima city. Peter the Loan Officer said: *"We give more than just a credit. We accompany people. We are not in and out like other organisations. We are here to stay."*



Maria:

Maria is in the Solidarity Group called "Constellation". There are 5 members – 3 women and 2 men - all close-by. She used her first loan of £75 to buy a cart for her mobile take-away food business. She used her second loan to buy a lamp and fuel to give light for the evening take-away business. Maria is a widow with 4 children. The cart has transformed her business and massively improved her family life.

Veronica:

Veronica is in the “Three Flowers” Group (3 women). She and her mother have taken three consecutive loans over the last 2½ years, beginning with £50; £90 and £130. The loans have enabled them to establish and improve this shop. It now has a fridge, well stocked, serving the local residents.



Ruvis & Martha

This couple make teddy bears from their home. They are on their 4th loan cycle (£90, £130, £200 and now £250). They have 5 permanent employees and 25 contract workers. They have 7 children who are their toy advisers! They sell their toys to an agent in Ecuador, making profit on each sale. They want to buy an industrial sewing machine. The commercial bank will not loan them any money since they have few assets. They said *“Thank you for the opportunity to create jobs and grow this business. It was a big step to take our first loan and a big responsibility. But it has really helped us and our family.”*

Ana-Maria

Ana-Maria is a single mother with 3 children aged 17, 16 and 3 years. She has struggled to bring up her family and she stays with mother. She now runs a beauty products business, using 35 agents to help sell the goods. She is currently also selling flowers for Mothers Day. There are 3 women in her solidarity group. She has taken 3 loans which have really helped to put the business on track.



Village Bank

We visited a Village Bank – a larger group who save together and provide small loans to their members. The enterprises on display included:

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|--------------------|-----------------|
| Ornaments | Hand bags |
| Hot take-away food | Fruit |
| Blankets | Cakes |
| Shoes | Jewellery |
| Watches | Beauty products |



Day 4

Visit to clients in Independencia District of Lima. Maria the Loan Officer for the following clients said: *“We conduct transactions of love and compassion with our clients not simply cold commerce.”*



Carmen

Carmen is married with 6 children. She is in a Solidarity Group with 3 other women. Carmen sells bread from 5am. She sells 600 rolls per day in her neighbourhood, making ½ pence profit on each roll, equivalent to £3 per day or £90 per month.



She saw an opportunity to sell other items at the same time. She applied for her first loan of £75 to buy other breakfast products like milk, sugar, soap. She is now selling home-made chocolates for Mothers Day. She wants a second loan to buy another cart to expand her family business.

Olinda



Olinda is a widow with 6 children. She lives in an area known as “15th May Settlement” - she was part of the “invasion” that took place on 15th May 1993, where her community of 1500 people came from the mountains looking for work in the city. She is in a Village Bank called Emmanuel with 10 members. She has taken a loan of £75 to increase the stock in her shop. It is really helping her business and she is using the profits to build gradually a permanent house around her plot.

Five Talents Volunteer

We discussed with the Bishop of Peru and the Director of ECLOF Peru. They welcomed the offer of Erik Josephson to assist in the project from late July 2007 for approximately 6 months. Tom Sanderson will put together a job description and roles for circulation and agreement.



Conclusion

The visit confirmed Five Talents’ partnership with the Diocese of Peru and ECLOF. The quarterly reports from this project satisfy the Five Talents Programme Review Committee standards. Five Talents is therefore committed to support the growth of this microfinance project in Lima. We will seek the funding of £40,000 needed for expansion in 2007.

*Report by Tom Sanderson
17 May 2007*