



Enterprise Mentors International

Tackling Poverty from the Bottom Up

Nine years ago Vilma de los Santos was making less than a dollar a day knitting sweaters. These meager earnings barely supported her four children. Then she heard about Mindanao Enterprise Development Foundation (MEDF) and took classes in entrepreneurship and bookkeeping. Today, she heads a co-op that provides work for five women and earns a profit of \$5 to \$6 a day. She has moved from a tiny shop to a small house and helps four other families—a total of about two dozen people.

Knitting, fruit-vending, soap-making, fish-fry stands, wood carving, hat-making, cattle breeding, home-based preschooling are just some of the small businesses in developing countries that have received help from Enterprise Mentors International (EMI), a nonprofit organization providing business training and small loans to help promising entrepreneurs start or expand their businesses.

EMI's motto is "a hand up and not a handout." Its programs, in the words of EMI president G. Richard Oscarson, are based on the concept that a successful life, business or society can be built only by building individual character. EMI's motivation is found in Matthew 25:40: "Inasmuch as ye have done it unto one of the least of my brethren, ye have done it unto me."

EMI was founded in 1990 by Warner Woodworth, a Brigham Young University (BYU) professor, and Menlo Smith, the head of Sunmark Capital Corporation, a St. Louis, Missouri-based venture capital firm. Smith says he began to think about how to help people in developing countries after he and his wife headed a church mission in the Philippines from 1982 to 1985. "About half the people in these developing countries will never see a paycheck," he remarks. "They have to live by their wits. It's bare existence. Many families struggle just to put one meal a day on the table. And a meal

is a bowl of rice and maybe a little fish, if they're lucky."

EMI employs three full-time professionals and one part-time employee at its headquarters in Chesterfield, Missouri, a St. Louis suburb. Its mission is clear: "To assist families that struggle for self-sufficiency to attain a self-reliant livelihood through small enterprise activities and educational assistance." By providing training in business skills, encouraging character development, offering counseling and mentoring and the economic stimulus of small loans to people in developing countries, EMI hopes "to assist the impoverished in a meaningful and lasting way with proven and practical methods of self-help."

Some have suggested that EMI ought to focus its efforts on poverty in America. EMI officials respond that even the poorest in America live better than the vast majority in developing nations. "In those countries, few governmental programs exist to help the poor—no food stamps, AFDC, welfare, housing assistance or similar programs. The poor we assist face grinding poverty which erodes human dignity in the struggle to put one bowl of rice on the table each day. Surveys have established that those living below the poverty line in this country have on average two television sets, an automobile, a telephone, indoor plumbing, often own their home and qualify for governmental medical care programs. Compare this to countries where [EMI] operates. In those areas of the world, families often live in shacks or huts made of corrugated iron and cardboard with dirt floors; windows are often just openings cut in the walls, with little to keep out stifling heat, rain or insects. They may never see indoor plumbing—water is drawn from rivers and shallow wells, and with it, associated diseases."

Stephen W. Gibson, Entrepreneur in Residence at BYU's Center of Entrepreneurship at the Marriott School of Management remarks that "We see ourselves as doctors, in a way. We are here to treat the financial pains of those who receive so little but need so much. These are the self-employed among the poor who, through street smarts and the desire to provide for their families, scrape out a meager existence by running small businesses or microenterprises.

But start-up loans are only part of the EMI method, and secondary to its fundamental business training. Says Oscarson, "It is harder to distribute knowledge than money. Small business people in the less-developed countries generally do not have access to business classes,

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accountants, trade associations or other sources of management know-how like small business people in developed countries." As EMI associate James W. Lucus remarks, EMI "gives first priority to the training, networking, and business consulting functions."

EMI loans are based on the *grameen* concept. This is a Bangladeshi word for "village." In an EMI *grameen* four or five people form a solidarity group to make sure that a borrower succeeds in repaying his loan. While the loans can be as little as \$50, they are critical in starting a business

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enterprise. Menlo Smith observes that even though a loan is not backed by collateral — "The collateral is peer pressure." At stake is the borrower's eligibility for future loans, which generally carry an interest rate of three percent. The repayment rate is an impressive 97.5 percent.

In 1997 EMI was selected from among 700 applicants to receive a Samaritan Award from the Acton Institute on Religion and Liberty in Grand Rapids, Michigan. The Institute seeks to show that a free-market economy complements and reinforces the teachings of religion. The Samaritan award highlights charities that are effective because they understand this critical equation.

EMI Honorary Chairman Marion D. Hanks remarks that "Those who participate in EMI's programs are truly lifted up. As they develop self-reliance and responsibility, their countenance changes—they stand taller, exude confidence and display an aura of optimism. They learn principles of integrity, organization and discipline that serve them well, not only in their micro businesses, but in their everyday lives."

Those words are reflected in EMI client Evangeline Isaig, a Manila resident who supports six children by cooking and making candies. "See, I keep track of my income and expenses," she says with evident pride. Pulling out a small notebook, she explains, "The foundation taught me how to do that and gave me a loan so I could buy my oven." Another EMI loan recipient, Aida Esclanda, makes potholders and earns the equivalent of US \$33 a day. She proudly remarks, "My husband sells these in the market."

Partner Foundations

EMI has created six partner foundations in developing countries. Three are located in the largest cities in the Philippines: Manila, Cebu in the central Philippines, and Davao on the southern island of Mindanao. The other three are in El Salvador, Guatemala, and Mexico. The El Salvador program began this April. The Central American programs provide services in 7 different cities.

The foundations are staffed by indigenous people who have successful hands-on business experience. As Gibson explains, "Filipinos teaching Filipinos seems to work the best because they understand the culture and each other better."

EMI's program director Robert Hokanson remarks that "Opening a new foundation in El Salvador is a strategic step toward creating a center of strength from which EMI can efficiently provide enterprise development services throughout Central America."

The numbers are impressive. To date, the partner foundations have made 11,667 loans totaling \$3.5 million. EMI partner foundations have held 9,612 training seminars for 83,340 participants. They have helped create 6,406 jobs.

During the first four months of this year, EMI's partner foundations in the Philippines have increased the number of families they serve by 40 percent. In fact, the number of families served by all the foundations is rapidly increasing. Only 11 families were helped in EMI's first year. But by 1995 the number had risen to 541, and by 1999 it stood at 3,654. This year, the foundations have served an impressive 6,000 people,



An EMI loan allowed Florida to free herself from loansharks.

and this has led to the creation of 1,600 new jobs—a 124 percent increase over 1999. EMI president Menlo Smith says that “We expect to have this program established in every developing country in the world eventually.” EMI contemplates setting up partner foundations in Nicaragua and Honduras and to open branch offices in countries that already have foundations. In fact, in 1999 it opened five branch offices in cities in Guatemala and the Philippines.

The Philippines

Stephen Gibson notes that the Philippine capital of Manila has a vibrant economy. In early 1997, 21 skyscrapers were under construction. Yet in their shadows live hundreds of thousands of squatters who build temporary cardboard and wood houses on land they can be kicked off at any time. Many Filipino families live below the poverty line—about US \$234 a month. There is almost no welfare, social security, or any other kind of government assistance. The poor have no choice but to beg, barter, or sell something to survive. Yet a donation of only \$4,000 will hire a degreed consultant for nearly a year who can help 100 families learn basic business principles that provide employment for hundreds of employees.

Joven Orlando, who was struggling with his family’s 30-year-old tailor shop, also took classes at MEDF. He received a loan of \$1,150 and has since moved to a better location and hired six employees, each of whom is paid about \$8 a day. He has a growing clientele for company uniforms, formal wear, and men’s Filipino-style shirts.

In Cebu, Allan and Emma Sanchez received a \$80 loan from EMI’s partner foundation to expand their sticky rice (*puto ug sikwate*) and hot chocolate business. Allan, a motorized taxi driver, got the idea for the business one morning as he overheard another taxi driver remark how he wanted a hot drink and some bread before starting work. He discussed the idea that evening with his wife, and a few days later she opened a stand along the road near the taxi terminal. The work is demanding, starting as early as 4 a.m. Initially, a mother-and-daughter team made 17 pounds of sticky rice a day and earned \$12. But thanks to the EMI loan, they can now make 26 pounds and earn \$18 a day.

In Mindanao, Geronimo Liper had worked in his uncle’s small mechanics shop since childhood. He also supplemented his income by driving a motorbike taxi part-time. He earned only \$9.50 a day—barely enough to support his family. When his wife received a share of her family’s inheritance, they used the money to buy a secondhand motorbike. Liper then became a full-time driver, raising his income to \$11.50 a day.

In May of 1998, Geronimo heard about MEDF and attended

an orientation meeting. Impressed by it, he enrolled in the enterprise training workshop. He became one of the first motorbike drivers to obtain a sidecar, and his son has also become a full-time driver. Geronimo says one of the most important lessons EMI taught him was the value of saving. He adds that “MEDF has not only blessed us with the temporal things but has helped our family become closer and stronger.”

Casto and Loding Sorrononda have a business that sells beef and pork rinds (*chicharon*). After taking EMI’s business orientation training and receiving four loans of \$75, \$100, \$125, and \$175, their earnings went from \$12 a week to \$65.

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Production has soared from 22 pounds a week to as high as 132.

Wilfredo and Lourdes Peligros started an ice cream business in an area north of Manila. But competition was a major problem, so they relocated on the island of Mindanao. There they again struggled to make a successful business. Then an acquaintance told them about MEDF. With help from the foundation, Wilfredo and Lourdes improved their distribution methods and the size of their product so that it became more competitive. Their business is now thriving, and they have repaid the loans they used to buy equipment

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and hired more distributors.

Shirley Ayon's husband was a farmer who earned only \$25 a month. This had to support three children. Then Shirley joined the Mindanao Enterprise Development Foundation's Pagsaka Program. She received an initial loan of \$50 and bought coconuts to sell for making copra, which involves drying the coconut meat and preparing it for coco oil extraction. With the help of her husband, their earnings doubled. After six months, they bought a refrigerator. With a second loan of \$100 and some personal savings, Shirley bought a horse to transport crops grown by her neighbors and which she sells at buying centers in the rural area. She now earns \$100 a month. She recently bought her children musical instruments so they can play in the school band. In her words, "It's a dream come true—thanks to the program."

Albino Consulta worked as a tailor for many years, but he wanted to set up his own tailor shop. One of his skills was sewing sports uniforms. But the seasonal nature of the business led to serious financial difficulties. Albino was often unable to accept orders because he lacked capital. Then one of his long-time customers referred him to Visayas Enterprise Foundation (VEF) in Cebu, where Albino enrolled in entrepreneurial training courses. He also received a loan of \$1,150. Since then, Albino has successfully bid for contracts on athletic uniforms, resulting in an increase in business and a monthly income gain from \$576 to \$962. Albino's success has allowed him to hire 15 new employees who can now feed their families.

Junie dela Pena of Cebu also heard about VEF. He received basic business training and a loan to improve his popsicle-vending business. He now earns \$5.40 a day while his wife earns \$3.75 a day as a manicurist. During the Christmas season, they and their six children make holiday decorations that are sold in department stores and shopping malls which earns them about \$15 a day. Junie recently began subcontracting some orders to neighboring families, offering employment to others who wish to improve their lives. He has also paid off 75 percent of his loan.

Recently VEF also provided training to Emelita Calica so she could start a small business that sells fruit to a hotel where she once worked. With two loans and some savings, she has purchased a stall at a local market. She has since received eight loans and has paid off half of the last one. She also employs three full-time workers.

In 1993, tragedy struck Eddie Chua of Digos. While delivering bread on his tricycle, he was hit by a truck. His left leg had to be amputated, and he found himself penniless and with no means to support his wife and four children. His wife, Narcisa, made a meager income selling spices at a local market. But Eddie remained undaunted by his tragedy. A

year after the accident, he opened a small streetside repair shop in front of his home, repairing tricycle shock absorbers. He continued the business for four years but had only crude tools and equipment.

In 1999, he learned about MEDF and joined a group of borrowers. He received an initial loan of \$180 that allowed him to buy new tools and equipment. Says Liberty Panelo, the program's project officer, "Eddie is an exceptional person not only in character, integrity, spirit and industry but even in his repayment and faithfulness in complying with MEDF training and discipline. He has perfect attendance for MEDF meetings and he has completed the seven training sessions." Last September, Eddie received a second loan of \$260 to

EMI Funding

EMI receives 73 percent of its donations from individuals. EMI's corporate contributors provide 17 percent of its funding and foundations contribute another 10 percent.

In 1999, EMI received \$973,990 in donations and spent nearly all of this—\$965,205. In addition, the partner foundations raised \$261,042. This year, EMI hopes to raise \$1.3 million. It receives no government funding.

EMI's 1998 Funding

Income: \$916,629

Budget: \$774,927

Assets: \$754,877

Some EMI Contributors:

Citigroup Foundation
Levi Strauss Foundation
The International Foundation
Times Mirror Foundation
Sunmark Foundation
Latter-day Saint Charities
Chicago Tribune
Acton Institute
Itermountain Health Care
Bayer Corporation
Merrill Lynch
General Mills
Rotary International
Campbell Soup Foundation

purchase supplies such as second-hand shock absorbers and spare parts. He has saved \$265 for the education of his three youngest children, all of whom are now back in school. He earns up to \$15.80 a day, compared to the \$5.25 to \$7.90 he earned before receiving help from EMI. "I'm very grateful of the trust and confidence that the MEDF Digos staff has placed in me," he says. "It has inspired me to prove even more that I am a capable person despite my physical disability."

Recently, a fire destroyed the homes of nearly 300 poor families in Pasig. EMI's partner foundation responded by helping to form nine small lending groups called *Balikatans*. They donated used clothes, slippers, shoes, and foodstuffs to victims and also made new loans to victims with outstanding loans. The old loans have since been paid in full.

Latin America

The stories of those in central America helped by EMI are just as inspiring. Newlyweds Francisco and Karina Pineda recognized that to get ahead, they needed to become self-employed. They bought some used printing equipment and moved it into the small house they rent. They also realized that they needed training in basic business skills, so they approached *Mentores Empresariales*—EMI's partner foundation in Guatemala. There the Pinedas learned basic skills such as bookkeeping and inventory control. Their business is now thriving. They print forms for several small businesses in the area and have hired two employees.

In 1991, Juana Francisco Moran began selling chickens at a local market. But she had little knowledge of bookkeeping or business management. In August that year, she attended an informational meeting at *Mentores Empresariales*. A few months later, she received a loan and created an additional home business that sells meat. Her income has increased 60 percent, allowing her to open a full-scale butcher shop and hire an employee. She has painted and remodeled the store and purchased a freezer, refrigerator, and three new scales. Her training has allowed her to do her own bookkeeping and to separate her business expenses from her home expenses.

In 1987, Blanca Pineda started a business sewing pieces of material for dresses sold by other businesses. But the cost of her materials was high and she lacked modern equipment. Moreover, she had limited management skills and her earnings were meager. Then she took several sewing classes at *Mentores Empresariales* and developed a business plan. She has since seen her profits increase 400 percent and has hired five new seamstresses and five new distributors. She has paid off three small loans, purchased four new sewing machines, and now buys her materials wholesale, significantly reducing her costs. She has also developed a record-keeping

Menlo Smith says that a philanthropist once told him that there are two problems with foreign aid: "One is that it's foreign. The other is that it's aid."

system to keep track of her clients, purchases, and earnings. And she has opened a savings account and significantly improved her family's standard of living.

Despite long hours of work, tailor Alejandro Choc found it difficult to provide for his family. He decided to sell his tailoring equipment to raise money for an embroidery sewing machine since women in the area wear traditional, highly embroidered blouses. After a year in business, he realized that he had inadequate business skills. With business training from *Mentores Empresariales*, he now earns \$41 a week—enough to feed, clothe, and house his family of six as well as send them to school.

After several attempts to support his family as a restaurant employee, Victor Lopez of Mexico City decided to start his own food business. An acquaintance loaned some equipment

and provided a small loan, and Victor and his wife, Maria Cruz, set up a food stand on a busy corner. But Victor realized that he needed to learn more about how to successfully run a small business, so he sought help from *Fundacion Dignidad*, EMI's partner foundation in Mexico City. With guidance and training in accounting and record-keeping, the Lopezes



Van Alag paid back his \$230 loan.

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have a growing business.

EMI's presence in Latin America is growing. It recently created a branch office in Chiquimula, Guatemala for women interested in expanding their sewing business. Each woman has received a small loan, consulting services, and business-skills training.

A few years ago, Carlos Rivas, president of EMI's Mentores Empresariales, moved to the United States with his family in search of economic opportunity. But he decided to return to his native El Salvador. In his words, "Now I know why I was to return to my own country. With help of EMI, I can help my people overcome poverty and provide for their families."

Success in the Face of Failed Foreign Aid

In February 1998, representatives of EMI and other microlending programs met for the first time at Brigham Young University to discuss their work as part of the Rocky Mountain Microcredit Conference. Keynote speaker Sam Daley-Harris, president of the international lobbying group Results, said in his address that "I assert that most of this country and most of this planet doesn't know what microcredit

is. You're in on the ground floor still, so there's much to do in the way of outreach and action." He predicted that microloan programs would continue well into the 21st century. EMI's G. Richard Oscarson likewise noted the continuing need for microloaning since unemployment runs at 25 percent in Guatemala, Mexico, and the Philippines and underemployment stands at 20 percent. "They're very creative," said Oscarson of EMI's borrowers. "There are all kinds of things they do with these small enterprises."

EMI's program works to overcome poverty from the bottom up in contrast to the failure of government foreign aid. Says Stephen W. Gibson, "This approach is far different from the old foreign-aid plan that has failed in the past—that of sending tens of millions of dollars to Third World countries, hoping that the money will trickle down to the people who need the help the most, the poorest of the poor. The U.S. dollars, at least here in the Philippines, bought shoes instead, and they never got to the bare feet of the poor."

Menlo Smith says that a philanthropist once told him that there are two problems with foreign aid: "One is that it's foreign. The other is that it's aid." Smith adds that at least one-third of all foreign aid never reaches the poor: "The system doesn't work for the people in poverty. It works on them."

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