

SUNDAY FEATURES

SUNDAY, JUNE 20, 2010

13

Micro loans, quantum leaps

Non-profit organization Wokai wants to lift China's rural poor out of poverty, one borrower at a time

BY NOAH BUCHAN
STAFF REPORTER

Fu Yajun (付亞君) needs US\$750 to start a mushroom farm. The Chinese government isn't helping. Without collateral, neither are the banks. Starting her own business is the only way Fu, a married 30-year-old mother of two, can see her way out of the grinding poverty that afflicts her — and her family's — life. Enter Wokai (我開 — literally, "I start [an enterprise]"), a non-profit organization that came up with the funds.

Founded in 2007 by Casey Wilson and Courtney McColgan, two Californians who met while studying Chinese at Beijing's Tsinghua University, the Web-based person-to-person microfinance platform generates capital by linking up the philanthropically minded in developed countries with China's rural poor.

Contributors, typically overseas Chinese, give as little as US\$10 to a borrower listed on Wokai's Web site. Once a donation is made, these microphilanthropists track the payments and loan progress online. After the loan is repaid, donors can then choose who the next borrower will be.

"[Contributors] are basically creating a long-term revolving loan fund that [they] get to re-invest year after year to support the growth of microfinance in China," Wilson said in an interview with the *Taipei Times* last week.

World Bank statistics show that more than 200 million people in China live below the poverty line of US\$1.25 per day. Though this is a vast improvement over the \$35 million in 1981, for Wilson and McColgan the numbers are still too high. Wokai's solution is microfinance, or small loans given to China's impoverished, though resolute, rural poor — farmers, food stall owners, vegetable growers — to help them open a small business and achieve financial self-sufficiency.

"It follows that Confucian saying: teaching a man to fish, rather than giving him a fish," said Wilson, who contributed to Fu's loan.

Wilson and McColgan were in Taipei last week to give a speech at the Lung Yingtai Cultural Foundation (龍應台文化基金會) and to seek volunteers to start a Wokai chapter in Taiwan. Based in Oakland, California, and Beijing, the non-profit has 12 chapters across the US and Canada operated by a team of more than 200 interns and volunteers. Wokai has already allocated 341 loans totaling over US\$150,000 to borrowers (or, "clients," as they prefer to call them) in Inner Mongolia and Sichuan, where their field partners are located.

Taipei Times: Why did you start Wokai and how does it work to alleviate poverty in rural China?
Casey Wilson: China's development isn't a linear path. You can have cities that are developing at an astounding rate and then you can have the countryside where there is no growth — people still don't have electricity or running water. Traveling around the countryside and really kind of seeing the situation firsthand it became really clear that developing the countryside is the first thing that needs to be done. And the only sustainable way of doing that is through microfinance.

Looking at China, the microfinance sector is about 20 years behind places like Latin America, Bangladesh and India. And there are a number

of reasons for that. One is [that] it started in the mid-90s as opposed to the mid-70s and then the other one is due to regulations. You have these NGOs who are doing the work but they can't access debt or equity investment to scale up their loan portfolio. So they are exclusively dependent on grant funding to expand. But as people are seeing China more and more as a growing economic power and less of a country in need of aid, funding has basically dried up. Looking at our two partners, we are basically their only funding source.

TT: Why can't the rural poor access loans from Chinese banks?

Courtney McColgan: The main banks for rural areas in China are the Rural Credit Cooperatives (RCC). There are about 80,000 branches across China and many of the people who we interviewed said that in order to get a loan from the RCC you have to have some form of collateral, specifically an asset, and most of these people don't have assets.

The other way is to have a guarantor, who is typically one of the more wealthy people in the town, and they generally aren't that close to those who don't have any assets. And the third, which is the more unconventional, is that they knew someone who worked within the bank who could help them get a loan. So there isn't a lot of lending going on. Also, even if they could get a loan, the amount of capital they could get was very little.

TT: And yet, according to your Web site, 99 percent of borrowers repay their loans.

CW: Above 99 percent. Actually, their only default over the last 15 years was during SARS when they weren't able to get into a village due to the quarantine.

TT: How do you ensure repayment?

CW: Our field partners have very different models for this. Our partner in Inner Mongolia uses the group guarantee system. So basically what they'll do is have five borrowers come together and each guarantees the loan of the other borrowers. If one doesn't repay, the other four have to step in. If no one steps in, no one will ever have access to credit again. And it's proved incredibly successful.

CM: What's nice about microfinance is that you have a lot of touch points. You have a group of people that you are really walking down this pathway with — not only within your immediate group guarantee system but also within the community. And within a community there might be five or six loan groups and they meet monthly to talk about what is going on with their business.

Typically a lot of them have very similar businesses. This is the emotional support component and the social capital part of microfinance. It is not calculated into the impact economically of microfinance but it is a huge side benefit in that you are getting people in the community who might never have touched base before to really build these strong ties that ultimately strengthen the community.

TT: What training and support do the field partners provide?

CW: Everything from how to negotiate the best price at market to how to effectively grow, for example, mushrooms, to how to do simple cash flow statements and balance sheets.

Part of that support comes from the loan officers who have worked with so many clients that they really have the sense of how to do almost anything on the ground. So if you have a borrower who has been raising mushrooms for years or generations in their family they

◀ Wokai co-founder and CEO Casey Wilson, left, stands with Huang Dengjun, center, who received a 5,000-yuan loan to start a chicken farm.



◀ Wokai founders Casey Wilson, left, and Courtney McColgan were in Taipei last week to present a lecture on microfinance and seek volunteers for a Wokai chapter in Taiwan.

PHOTO: NOAH BUCHAN, TAIPEI TIMES

might support a new borrower who is starting this enterprise for the first time.

TT: Of your two field partners, one exclusively lends to women and one-third of the clients in the second are women.

CM: They give to women because they are known to be the more responsible [borrowers] versus men. And that typically has to do with the fact that men will take the capital and there is more of a risk of gambling and drinking. Also, women are more connected to their communities. They are more responsible borrowers. That, of course, has been proven wrong on an anecdotal level but as a general trend that's why.

TT: Did you intentionally choose these two field partners because they focus on women?

CW: No we did not. Our partners are two of the top three, if not the top two, microfinance institutions in China. Basically when we are looking for in a field partner are three key areas. The first is, are they having a strong impact on the community? The second is, do they have a transparent management system and risk control systems to ensure that they are fraud free? And the third is that their management team has the desire and capacity to scale their impact. For example, moving from, say, 3,000 borrowers today to, say, 50,000 borrowers over the next 10 years.

But it's been interesting to see the difference in gender issues at different locations in China. Our partner in Inner Mongolia is in the desert. A lot of these villages are 100km from their branch and their branch is in a very rural area. And people will be in a village where they will only meet 100 people in their lifetime. And so gender issues are much stronger.

I got to know one borrower who took out her first microloan 10 years ago. And at that time she ranked very low in the social hierarchy in her community. And she took out a loan to buy some land to start a business. Within these guarantee groups there is a group leader and within a village there might be five of these guarantee groups that together form a kind of village center, from which there is one group leader for all the guarantee groups. And this woman was first elected to be a group leader for her guarantee group and over time was elected the big group leader and right when I met her

she was elected vice-mayor of her village. And so for her, she really grew confidence in herself — not only improving her economic situation but also her status in society.

TT: Does that generally happen or are there often conflicts between women and men because of women's increased status in society or greater financial independence?

CW: This goes back to what you asked before about whether we chose these partners because they serve women. Let me bring it back to comparing our partner in Inner Mongolia with our partner in Sichuan.

In Sichuan it's an incredibly fluid population. People are moving to Guangzhou on a daily basis or Shanghai or Fujian and coming back. The population is very dense. In this kind of situation, there aren't the same kinds of gender issues. And whether the loan is given to men or women — both of them work together. They would have a plot of land and they would be working their business together. It didn't really create significant change in local communities to serve one gender or the other. So the concept itself isn't necessarily universal in the sense that you should only serve women.

TT: You mentioned in an October interview last year with the *China Daily* that you expected the number of contributors to grow from 600 to 10,000 this year. And yet, right now you've only reached about 1,200 contributors. Why the slowdown in momentum?

CW: What slowed that down is staffing. Up until two months ago we had one paid staff member who worked with me on due diligence and relationships with our field partners and training. Outside of that we were completely built on the backs of volunteers.

We've switched that 10,000-person goal to halfway through 2011, so 12 months from right now. I think with a full-time marketing director on board and an Internet director, we are pretty much on track for hitting that 10,000-person goal.

TT: Who are the contributors?

CW: Expats living in China, people who are ethnically Chinese living outside China — Taiwan, Hong Kong, the US, Canada — parents who adopt Chinese children, people studying Chinese or working in China. We are not able to currently fund-raise in renminbi in China because we are not a Chinese non-profit. Our goal over the next six months is to launch a Chinese contributor market, so that would be through partnering with an affiliated government NGO or with a big bank.

TT: How do you get the word out to contributors?

◀ A woman stands in front of her bubble tea stand in Yilong County, Sichuan Province, which she opened after receiving a loan from Wokai.

▶ This married couple in Yilong County received a loan from Wokai to start this food stand.

CW: The only outreach we've had is through our chapters, our local volunteers in key cities, as well as media finding us. And so we are really looking forward to launching our online marketing efforts and really kind of ramping things into gear on that level.

Also the China launch that we are aiming for in the next six months will be key for enabling Chinese domestically to get on board and ramping up our volume of those contributors as well.

TT: In addition to the news media, social networking sites such as Facebook and Twitter are important in promoting it but also keeping people in touch.

CM: And also [contributors] who wouldn't normally be in touch — a banker in New York is connected to an expat living in Beijing is connected to a person who does PR in London. And why? Because of this borrower in the field in Inner Mongolia. If you click on a borrower, after creating a profile and donating to that borrower, you can see all the other people who have given to that borrower and you can e-mail them. It's certainly one of the areas of our platform that we would like to build out but we haven't had the human capital to build it and promote.

TT: There is a tradition of philanthropy that exists in the US — whether on the individual or corporate level. In your experience, what's it like in China?

CW: It's changed a lot. I distinctly remember someone asking me what I'm doing in China, and I said that I run a poverty-alleviation non-profit. And he's like: Whoa. Whoa. Get away. You are trying to steal my money.

There was such distrust for poverty alleviation in the social sector. That changed after the Sichuan earthquake. Everyone gave. There were collection boxes in every building and I didn't know one Chinese person who didn't give. So you have this whole new generation of people who are interested in philanthropy and giving. And the earthquake in Sichuan was a real stimulus.

TT: When the borrowers find out that you are the founders of Wokai, what are their reactions?

CW: Those in Mongolia are really shy. So it's more like *buhao yisi* (embarrassment, 不好意思). But for them they think it's kind of crazy. Here's this Westerner from the other side of the world — the first Westerner they have ever seen — and they are enabling me to take a loan to raise cows or pigs. It's kind of like a puzzle where the pieces don't really fit together. In Sichuan they are a little more talkative and invite us into their homes and try to cook dinner for us. For them I think it's a very interesting experience because it's kind of paradigm-changing.

This interview has been condensed and edited.



PHOTO COURTESY OF WOKAI



PHOTOS COURTESY OF WOKAI