

**ADDRESS TO
THE CANADIAN CLUB OF TORONTO**

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by

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Good afternoon.

First, let me thank you, Libby, for your most kind and generous introduction.

Your Worship, head table guests, ladies and gentlemen and a special greeting to the members of the Grade 13 economics class of North Toronto Collegiate. Thanks for coming ... I hope you can help us out!

It's an honour for me to have this opportunity to be with you this afternoon.

It is especially important for me, and my friends at Calmeadow, that I have this chance to tell you our story.

It's a story that is extremely relevant to our times. And one that can offer hope at a moment when there isn't a great deal.

I want to place my thoughts in the context of the very real and quite radical changes that are taking place in our economy. And how these changes are impacting on our society.

I want you to join me in looking at the way we think about this new economy. Of how our present-day looking glass seems to have been shaped by the lens of yesterday.

I want you to bring along with you your personal perceptions and see if we can give them some new meaning and understanding. Phrases or words like entrepreneur, an unemployed person and job creation.

We all know that Canada is in the middle of an economic transformation. As we move into the open competition of free global markets, we have traded firm ground for a lot of anxiety. On the one hand, we have created unlimited opportunities -- for about a third of the workforce. But -- for the rest it's been shrinking pay cheques and an increasingly uncertain future. We've also seen our governments hitting the debt wall, scrambling to reduce their deficits and, in the process, dismantling our safety nets.

It's hard for us to believe -- especially for those of us in this room who entered the workforce in the 60's and early 70's when there were a couple of jobs waiting for each of us.

Now many of our children scramble for part-time contracts and low-paying positions just to get a toe hold for their future. To give you an idea how tough it is

..... We recently ran an ad for a part-time receptionist and received over 200 applications ... most from people with higher education and extensive job histories.

So, it shouldn't surprise us that a third of our workforce has picked up "non traditional jobs" -- part-time, or multiple part-time, temporary, contract, and more and more often self-employment. Right now over one-fifth of us work from home. Now, part of that's due to technology, but it does show the changing nature of how people make a living.

And it's not all bleak. We're all familiar with the term "The New Economy" that innovative, high-tech world of semi-conductors and communications. And most of us are aware of the dramatic growth of our super-efficient export industries.

But, how many of you are aware aware of the explosive growth of self-employment in this country? It's hard to believe -- that more people now draw their pay cheque from self-employment than from government payrolls.

Over a third of all new private sector jobs created in the past five years, 250,000, to be precise -- have been in the self-employed market.

Self-employment is nothing new to Canada. In fact, if you go back in history, almost everyone was self-employed. Our farmers, trappers, lumberjacks, fishermen and prospectors, hairdressers, dressmakers and handymen. And it's still very much alive, but it's visibility has been over-shadowed by factories, super malls and Bay Street office towers.

But not for much longer. The pace and scale at which our economy is moving towards self-employment is making itself visible once again. In most respects, this growth is a rational response to an economy where big business and government shed workers to stay alive.

And then there are those being squeezed off welfare. Here self-employment is the only option. For our new immigrants who come with their skills and the promise of opportunity, it's the same thing --- it's the only option.

Every one of us knows someone who's lost a job in the last five years. Where do you think they've gone? Well, some may have landed full-time positions, but many -- certainly some of the ones I know including my 5 oldest friends from high school -- are now self-employed.

My interest in this subject goes far beyond intellectual curiosity and personal concern. It ties directly to my experiences with Calmeadow and how our organization works with the self-employed.

I'd like to go back to 1983 when Calmeadow was incorporated as a Canadian charity.

Linda and I had traveled through India, Bangladesh and Brazil visiting a lot of grass roots projects. We wanted to see what worked and what didn't, what could be locally sustained and what depended on foreign aid and private charity. We were left impressed, hopeful, frustrated and challenged. Even the most aid-dependent project made a difference; people's lives were being changed and, in some cases, saved.

But, what struck us most was that poor women faced incredible challenges -- just to survive. This convinced us to focus our efforts on their lack of economic opportunity.

Shortly after we organized Calmeadow, we found an answer -- it was called micro enterprise credit. We found it first in Latin America through ACCION, a Boston-based non-profit and later in Bangladesh through the Grameen Bank. Both were successfully making small loans to low income people with amounts ranging from \$50 to \$300. They were lending money at commercial rates and getting paid back 98% of the time. All without collateral. They were banking the poor -- as a business, not as charity.

To help you get an idea of how small, yet how effective, these loans can be, I'll tell you about a woman in a village in Bangladesh who received \$1 to help her invest -- in half a chicken owned by her neighbour -- and from there to earn one-half of the eggs. How, in South America, we saw that \$50 to \$300 could be loaned to a woman hawking potatoes on the sidewalks of La Paz -- to a man recycling broken glass bottles into oil lamps and to another man cobbling shoes on a sidewalk workshop.

We saw these loans in action -- helping people change their lives. And when we did the math of financial sustainability of the loan funds, we knew we had found our niche. Here was a concept that worked and could be sustained. Cover its own cost of operations from interest earned on loans. Here was an investment -- in people and their dignity -- it was certainly not charity -- and it worked.

Now a decade later, Calmeadow has a budget of \$3 million a year and a fully professional staff of 30 under the leadership of our Executive Director, Mary

Coyle. We are definitely playing a prominent role in this global revolutionary movement a movement to bring financial services to the poorest of the economically active.

For example, we helped to establish the world's first fully commercial micro enterprise bank in Bolivia in 1992. We created the first North American micro enterprise loan funds -- in three native communities here in Ontario in 1988. And we continue to remain in the vanguard of these pioneering efforts.

With institutions like The World Bank now on board, there is an accelerated awareness that this cost-effective way of activating stagnating economies works.

We're on a roll, and I believe that the next decade will see a revolution in the financial markets of developing countries -- a revolution that will bring opportunity for a better life to hundreds of millions of struggling people.

In our work in Canada we're every bit as enthusiastic. Since 1988 we've been actively initiating micro credit funds. First in native communities and more recently in Vancouver, Toronto and Nova Scotia. In addition, we are providing advisory assistance to over half a dozen other community funds across the country.

As we experiment and learn from our experience we come to see a large, and to date unserved, market for micro credit and other financial services in our country.

We estimate a quarter of a million Canadians will have capital requirements of less than \$5,000 over the next five years. People like our head table guest -- Margaret Gonya -- who's credit needs fall outside the conventional system. I have her permission to tell you her story.

Fifteen years ago Margaret turned her knitting hobby into a business. Her sweaters started to sell in Yorkville shops and the hobby became a wholesale and retail business. But, when the falling Canadian dollar made it too expensive to continue importing wool from the States, her wholesale business collapsed. Friends, and her bank manager, encouraged Margaret to continue on the retail side. With no collateral, but a good track record, her bank manager extended a \$20,000 line of credit to allow her to keep going. Then a new branch manager moved in and her loan was called; the reason given -- not enough collateral. But, Margaret's no quitter and finally she did repay the bank loan, but her other creditors suffered and lost patience. She closed both her retail stores.

Her story could have ended there, but a year ago Margaret received her first loan from Calmeadow Metrofund -- \$500 -- which she used as working capital to get going again. Her next loan of \$1,000 enrolled her in a computer course. Margaret is back on track and her business is building. She's buoyed by the respect and new opportunity she feels Calmeadow has given her. She's energetic; she's a fighter; and she's a role model for her peers. Margaret has kept her marriage intact, raised a family and kept her business not only alive, but now growing.

Thank you, Margaret, for being here. Thank you for inspiring us all.

Whenever I hear stories like Margaret's, I become electrified. I'm motivated by their courage and success. But I also get angry. I wonder how many thousands of ready, willing and able Canadians have to sit on the sidelines dreaming of self-reliance, but are held back by a system that will give a person charity or put them on welfare before giving them a loan.

How can we begin to measure the cost of this incredible, lost opportunity?

We have government programs to retrain laid-off fishermen to operate computers and make a hairdresser out of an ex-factory worker. But what about those micro entrepreneurs out there? They don't want or need charity. They don't want social assistance that keeps them at home and denies them a right to earn an income. They have a dream. They want to contribute. And all they need is capital.

You know it's time we came to grips with reality ... it's not business as usual. And there are no magic solutions. The golden goose is dead. We are just not going to be able to create enough jobs. So more and more Canadians will have to create their own. It's resilience through necessity. It's survival economics. It's dignity and self-respect over defeat.

Through our lending to micro entrepreneurs, we've seen what a \$500 loan can do. We have seen people without a credit history, without collateral, pay back their loans. Our principle of lending is based simply on trust. I know this sounds a little mushy these days when bank loans are usually secured by everything from your home [if you happen to have one] to your first-born child.

Well, naive as it may seem, it works. And for us, a well-run loan fund pays back 98% of the time. There's nothing soft and fuzzy about it. A late payment is a serious event for us. If necessary, we'll even go so far as using collection agencies.

Now, there's a catch. It's not as simple as it might sound. We're still learning, still facing challenges, still pioneering. If it were so easy, every bank in this country would be in on the action.

So why aren't they? First, these loans are small and time consuming to look after. Second, [and this relates to the first] it's expensive. In fact, if you fully cost out a typical micro loan it would require an interest rate greater than 25% or 30% to make it work. This is not exactly good politics for banks now earning billion dollar profits. And third, because our loans are unsecured, it makes life complicated for a regulated business like a bank.

Finally, it's not neat and tidy. It's hard to put a face on it. It's not a store front, an office or a factory and it's not a sophisticated business plan. It's Margaret, and it's tens of thousands of Canadians silk-screening T-shirts, cutting hair, making birthday cakes, mowing lawns, repairing small motors, desktop publishing, catering and a hundred and one other typical small entrepreneurial enterprises.

And it works. Time and again we see how a small loan can lift a person up into the world of opportunity. A world where dignity, self-respect and self-confidence replace fear and despair.

We also think it can work on a larger scale. We think it can be managed commercially. But we know some changes are needed before it does.

This is where you can help us. You can help us create an atmosphere of opportunity for the self-employed.

First, let's keep bringing down the barriers that discriminate against them.

Did you know that in Toronto, as recently as a few weeks ago, it was against the law to edit a book, make a dress for sale or teach a piano lesson in your own home? Well, we've made big progress here. I'm delighted that city council, led by Mayor Barbara Hall, has favorably amended its by-laws regarding home-based business. But, we have to keep pushing to relax these rules wherever we can.

Second, we need to improve the flow of credit to the self-employed in order to foster it's growth and potential. This means better systems. It means a different way of securing loans. And it means bringing interest rates down to acceptable levels.

We have the participation of several of Canada's leading financial institutions, including the Royal Bank, Bank of Montreal and Canada Trust.

We have the support of the community, through the United Ways of Metro Toronto and Halifax-Dartmouth and our many contributors.

I've been talking to you about micro credit, but I'd like you to consider the big, or macro, picture for a moment.

In the twenty years since ACCION and Grameen Bank started lending, approximately \$7 billion dollars -- SEVEN BILLION DOLLARS ! -- have been made available in micro credit around the world.

Over 5 million people -- from Bangladesh to Bolivia to British Columbia -- have received these small loans.

And something in excess of 98% of the money loaned has been repaid -- with interest.

But what is the real picture? More than anything, it is a picture of human possibility. People -- some of them aching poor, all of them at least lacking the tangible assets to secure credit through normal means -- have managed to use a very small amount of money to mount successful, tiny enterprises. These people have created their own employment and economic viability. Credit was merely the catalyst. The potential was always there and now it's been released. Self-sufficiency has been achieved. Trust has been rewarded.

This is not a question of a few isolated cases of heart-warming success stories, but a global phenomenon. Consider the last twenty years of micro credit as a huge pilot test, a massive social experiment, an international learning experience. What does it show us?

It shows us -- convincingly -- that it is right that it makes sense that it works -- to give people credit.

This is the theme that underscores all of our work at Calmeadow: Give people credit.

Credit, after all, is not just money. The word comes from the Latin, credere. It means to believe, to trust.

We are giving credit to people -- people who can provide nothing but their word as their security. The money is not a gift. It is repaid. We are giving trust.

Trust in their ability to make a go of things; trust in their integrity to fulfill their commitments. Believing in people works.

And at this time in history, when we seem to be suffering a dangerous crisis in confidence -- when we have lost trust in our governments, our leaders, some of our most venerable institutions and even the economy to generate collective well-being -- at a time when cynicism and pessimism abound and it seems there is nothing to believe in -- I think we should be paying close attention to the profound lesson of this micro credit movement: we can believe in people. It is not only moral. It is practical.

For those of us working in micro credit finance, this simple fact -- proven over and over again -- is a constant source of inspiration and reward. Yes, we still have miles to go before we're done. We have to reduce costs, increase efficiencies and foster the broad understanding and support that will allow micro credit to move from a marginal to a dynamic force in the economy.

I hope I have helped you to see how much is possible when we give people credit.

Credit is trust. Trust in the future. Trust in the human capacity to bring about positive results. Calmeadow is committed to sharing that trust as widely as possible.