



Mack McConnell (right) and Xander Cogbill explore local transportation in the Lompoul Desert.

Entrepreneuring in Africa

BEING A RECENT COLLEGE GRADUATE, IT can be frustrating to have a deep experience within the fluffy abstractions of the classroom and so few real situations that mark a difference in learning. I was looking to do something new.

I stumbled upon a two-month position (while online) that would take me to Dakar, the capital of Senegal that is located on the Cap-Vert Peninsula on the western edge of Africa. The job? I would work for Zidisha, a startup microfinance institution (www.zidisha.org). With Zidisha, I would be responsible for helping some of the world's poorest people get small business loans. This just might be the violent push out of my comfort zone that I was searching for. And looking back at my spring-time adventure, it delivered big.

The culture shock was unsettling at first. Sometimes I would wake up in the middle of the night, unable to sleep because of the dissonant

chants and prayers coming from the city's minarets. Work often meant trekking all over urban and rural Senegal to find entrepreneurs that were anxious to grow, tripping over goats in the street, wondering what the heck I just ate and what diseases might accompany it. I had to do it all speaking French local language, Wolof, which added to the challenge.

Lessons to be learned

It didn't take long to settle in and feel at home in my new surroundings. I began to love working with Zidisha. Every day proved to be a fascinating lesson, not only in business and lending, but a strong one in the human condition.

Just like entrepreneurs in America, those in Africa need to borrow money in order to start or grow their businesses. Access to capital, however, is a much different story in the developing world. Banks in Senegal are reluctant to lend to local en-

trepreneurs, whose need for capital is so "micro" that returns to the banks (and their administrative costs) are unattractive. This leaves the Senegalese looking for alternative forms of financing to grow their businesses and increase personal wealth.

Microlending – also known as microfinance or microcredit – is loosely defined as small business loans to entrepreneurs in developing countries, and helps solve this problem. Unlike banks, microfinance institutions tend to be more philanthropic by urging their lenders to see their loans more like donations, and not to expect a financial return. While the loans are expected to be repaid over time, the real benefit is the way the funding empowers the recipients and their entrepreneurial zeal, and the grassroots impact on local economies.

When microfinance started under the direction of Muhammad Yunus and the Grameen Bank

in the 1970s, the borrowers, previously thought to be “too risky”, repaid more consistently than many had anticipated. Instead of being incapable or lazy, it was clear that these people, at no fault of their own, were born into economic environments in which advancement was impossible.

Since then, people across the globe on both sides of microfinance, lenders and borrowers, have shown enormous faith in the system. According to Robert Peck Christen (CGAP Occasional Paper, July 2004), alternative banking has really caught on. Today, there are about 3,000 institutions, representing 665 million client accounts that serve populations unable to find funding from traditional sources. In 2006, Yunus and the Grameen Bank were awarded the Nobel Peace Prize for their work, calling the world’s attention to the microlending community.

While working with Zidisha, I learned that the number of creative entrepreneurs is almost unlimited while the number of lenders never seems to be enough. Today, anyone can participate on the lending side of microfinance. There are a variety of websites, including Zidisha.org, through which you can create an account and lend money to entrepreneurs in broken economies across the globe.

A loan will be composed of small amounts from several individual lenders. When the loan is repaid in full, the lender will have the option to recollect the borrower’s repayment, incurring zero net loss, or to continually reinvest their funds to be recycled among other entrepreneurs with similar stories. As a microfinance institution does more and more lending, they can acquire a large pool of relendable money to pass around among qualifying entrepreneurs.

Eager entrepreneurs

Many people have been drawn to microlending because it allows them to learn about different cultures while making a difference. One of our goals with Zidisha.org, for example, was to make the process of finding, learning about, and selecting a borrower based on their culture and plans before funding a loan easy and rewarding. A lender is able to understand how this loan will help the borrower. The Zidisha website provides information on borrower like Alassane Diop, who wants his business to be more productive, generate more revenue and create local jobs:



TOP: Mack with a prospective borrower, a fruit vendor from the Point E neighborhood of Dakar. **ABOVE:** The Layenne mosque of Yoff, the fishing district of Dakar.

“My name is Alassane Diop. I am an artist who dyes and sells cloth. I learned this trade from my mother. From a very young age this trade fascinated me, I was always very moved to watch her put so many colors on a single cloth. I graduated high school though could not continue my education, because my aging parents could not afford it. Since then, I chose a career in dyeing cloths, which allows me to make a living and take care of my parents.

With a loan from Zidisha I will increase the volume of my work and earn more. I will enroll

with the “guide de routard”, a program that brings tourists to local artists and vendors, so my work can be known across the world. I will make my own website, organize exhibitions, and create a stand to give my products greater visibility.”

Under the traditional microlending model, an individual lender would lend to the institution which later loans to the borrower, putting a third party into the middle of the exchange between lender and borrower. Sometimes, there is more than one institution in the middle of the transaction, making it even more complex.



LEFT: Alassane Diop, a textile artisan from southern Senegal, in his element. He is awaiting financing from Zidisha.org to expand his business. RIGHT: Mack island-hopping around the Cap-Vert region of Senegal

The more times the money changes hands, the larger the interest rate will probably be for the entrepreneur. After all, the institution has to stay afloat somehow; salaries have to be paid and operation costs are incurred. Because of this, certain microlenders have been criticized because their interest costs can be pretty exploitive to the borrower – sometimes as great as 30-40 percent. Even though the success rates on these loans are extraordinary, that's expensive money. Especially when the goal is to make loans accessible to some of the world's most marginalized people.

Zidisha is able to lend at very low rates – on average, 7.18 percent.. Zidisha uses a peer-to-peer model to connect borrower and lender directly rather than using a longer chain of people to facilitate the transaction. In fact, Zidisha offers the first web platform that lets web users lend directly to borrowers in low-income countries.

To make the experience as direct as possible, Zidisha loans to people who have access to technology – even at a very basic level, like text-messaging or local cyber cafés – making a message-board style dialogue between borrower and lender

possible. When someone loans to Alassane, for example, who happens to be in the Casamance region of Senegal, with the help of Zidisha, their loan is going directly to him.

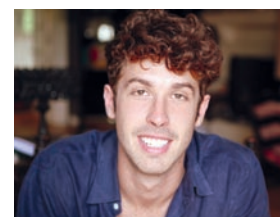
Returning home

It was so exciting to work with Zidisha; it is really plowing new ground in the microlending community. I was able to meet these prospective borrowers, to evaluate their businesses, and to see first-hand the impact that microfinance had on the well-being of their families and communities. That alone was a truly inspiring experience. Despite the fact that most of the Senegalese live in conditions to which we would never subject ourselves, they are some of the hardest working people I have ever met. So many of them are victims of a broken system, left to helplessly spin their wheels, looking for some sort of traction to lead them to something better.

The reverse culture shock of coming home and being American again has been every bit as confusing as my arrival to Africa. I now see things through a different lens. Now that I'm back, there are certain things we all know but don't consider

as often as we should. We have it pretty good here in Barrington. Poverty seems worlds away.

I desperately wish my friends and family could have seen Senegal and witnessed its heartbreak and raw, impossible beauty. It's going to be hard to forget. Everywhere I went, I felt the energy of hard work trying to break a vicious cycle. By looking ugliness in the eye, facing poverty not as an observer but as a problem solver, they told me their hopes and dreams which aren't at all different than our own. They just need our help getting there. U



Mack McConnell is a Barrington resident and a recent graduate of the University of Illinois. In September, he will start with Intuit's Rotational Development Program in Mountain View, Calif.