

October - December 2002

## HEKAN PROTOTYPE NEARLY COMPLETE

The Hekan building project is well on the way! Over recent months the prototype has been built and modifications are being made to further perfect the design. The Hekan prototype has been built at the Mobile Mission Maintenance headquarters in Melbourne. Mobile Mission Maintenance are partnering with ARMS on the Hekan Housing Project and their practical expertise has really helped to fast track the project.

Some small alterations have been made to the original design that both improve it and increase its functionality. It is hoped that the prototype will be finished by late 2002 and that the first Hekan house will be built in East Timor in early 2003. Once this is done and we are sure that the design is safe and appropriate, then we will commence building the Hekan design in East Timor as soon as practicable. The cost of each house is expected to be approximately \$5,000.



*The Hekan Prototype*

ARMS has been in contact with the East Timorese government and has asked them to endorse the Hekan design. This request is currently under consideration and if granted will give Hekan a fund raising edge that may encourage businesses and corporations to donate towards the Hekan Housing Project.

In its design the Hekan Housing Project has two fronts. The first is to provide good quality homes for homeless families. This will be quite straightforward to do as the Hekan design is sturdy, cyclone proof and sensitive to local design needs. Hekan will give homeless families a long term answer to their accommodation problems. We hope in the coming years to build hundreds of these homes free of charge for the people of East Timor.



*Hekan Designer Don Langley*

The second phase of the Hekan Housing Project has the potential to provide employment for unemployed East Timorese families. Through Hekan, workers will be able to earn a basic wage and also have skills training. This better enable them to work in other aspects of the building industry as well. Eventually we hope to establish a hardware and building business that will employ East Timorese workers. The business will provide the prefabricated sections needed for the Hekan Housing Project, as well as other products that can be onsold to other building sites in East Timor.

The Hekan design has a number of other advantages that make it an excellent option for replacement housing, or even emergency housing in a disaster situation. These include its modular design and adjustable size which means that a Hekan house will fit on any sized slab.

Hekan complies with Australian building standards and also meets the standards laid down by SPHERE for housing used in disaster relief situations.



## KAREN REFUGEE UPDATE

### Preschool Changes

More changes have occurred in the preschools we support in the Mae-la camp. Pehlu has found the going tough running both an orphanage and overseeing the day to day running of the preschool so she has asked her assistant Corina (pictured) to take over the job of Preschool Director. Pehlu herself still runs the orphanage and helps out in the preschool when she has time.



Corina wrote to inform me of the change and asked me to thank all the people who are praying for and supporting the work in her preschool. At the present time they have 69 children in attendance and are ministering to many other families as well.

Corina was a secondary school teacher in Burma before becoming a refugee. Her husband is one of the leaders of that part of the camp and they have two boys aged 8 and 10 years old.

### June Rose

June Rose has taken to managing her mother's preschool like a *fish to water* and is doing very well. With the move of the orphanage to Pehlu's part of the camp the number of children in the preschool has been reduced. June Rose is settling down to caring for these children before taking on any more new children. We congratulate June Rose for taking this cautious step in her new role as Preschool Director. I am sure that as she becomes more confident the size of her classes will increase accordingly.

### Em's Sister (Ler Bwey)

Many readers of this newsletter will remember our friends Em and Napoleon who are running a school and doing Primary Health Care at Mae Salee Khee about an hours drive by 4 wheel drive from the Mae-la camp. When I was in Thailand earlier this year, Em and Napoleon (pictured) had literally just given birth their second child and were keen to get back to Mae Salee Khee to continue their work there.



Em's sister Ler Bwey has also shown her skills in the area of Primary Health Care and is working with Internally Displaced Peoples inside Burma. Ler Bwey runs regular clinics at Ler Ber Her and also visits other camps that have medical needs. However financial difficulties are limiting the work that Ler Bwey can do. To keep Ler Bwey in the field costs about \$50 per month. This covers her personal costs as well as the cost of her medical supplies. ARMS has been asked to help support Ler Bwey but in order to do this we need your support.

If you would like to contribute towards Ler Bwey's work amongst the Internally Displaced Peoples of Burma please fill in the form on the back page and send it in to the ARMS National Office.

## HEKAN HOUSING PROJECT (Continued)

One of the applications we can see Hekan being used for is to provide an "instant" hospital or administration center, clinic or emergency housing in a disaster situation. It is possible for a number of these houses to be placed into a container and shipped to a disaster site to be assembled and used both during and after the time of the disaster. Initial approaches to the Australian Council For Overseas Aid have aroused some interest in using Hekan in this way.

Hekan also has the potential to be used as an income generating project through the sale of Hekan building to churches or other groups who need extra buildings on their existing sites.

In the short term ARMS needs to raise another \$5,000 to complete the design process and to prepre the project for testing in East Timor. After that we need to raise \$5,000 per house for homeless families in East Timor. Participation in the Hekan Housing Project will provide an opportunity for our donors to make a real difference in the lives of many homeless families in East Timor and beyond.



## Video Tapes Needed For Karen Preschool

As some of you will be aware, earlier this year Corina's preschool was given a generator through Steve Gumaer's Office. This means that both the preschool and the orphanage now have some power. ARMS' donors have bought the preschool a video and TV so that Pehlu and Corina can have more choices with the types of educational programs they show.

The children in Corina's preschool learn English as well as Karen and therefore we have an opportunity to further help them with the provision of educational video tapes which can be shown as part of the program. The ARMS national office has sourced and sent half a dozen tapes already but we would like to send a lot more. Corina would like tapes about Australia, Christian educational videos, as well as other children's material such as Bob the Builder, Playschool etc. The six tapes we have sent so far cost \$20 each - there are other titles we are after which will be double that price.

Would your work place, church, or family like to buy a tape for the refugee children? Perhaps your family or church would like to make a video and say hi to the kids in Mae-la camp. It doesn't have to be an Academy Award Production but the kids in Mae-la would find it a treat to hear from others, particularly other children.



## Meet The "Prez"

Recently a team from Albury NSW traveled to East Timor for ARMS to repair the roof of an orphanage in Dili, and also to do work on our water project in the town of Weberek (which is situated 8 hours drive from Dili).

The roof repair went really well and meant the orphanage now has a protected area in which the children can play and eat during the rainy season. The orphanage director was extremely grateful for the team's assistance, as her Orphanage is very poor and not well funded. The team spent several days on the roof repair and then moved on to Weberek to assist in some work on the well project.

"The drive to Weberek was very long and hard", one team member confided. "We were all a little sore after riding on some of those roads for hours on end". But travel discomforts aside the team were able to assist in Weberek for which we are really grateful.



*John McClelland With Xanana Gusmao*



*Team Members Underneath The Roof They Built*

One night whilst resting in Dili the team was invited to a BBQ which was to be held at the Brazilian Embassy. Brazilians are very take great pride in their Bar BQs so the team decided to accept the invitation and see how well "they could slap a chop on the Barbie".

Once there they were mingling with other guests and were surprised when the East Timorese President Xanana Gusmao came over to say hello.

"He is a very nice person to meet" said team leader John McClelland. "I think he was having more fun than anyone else at the party".

Diane McClelland said that the trip was a great experience and that she was sure that other people from Albury would want to go on future teams because it was such a positive experience. "The team in Dili were a delight" she said, "and they made us feel right at home".

ARMS will continue to recruit and send teams to build houses and assist families in East Timor. If you would like to travel to East Timor to be involved in our building program then please contact Neville Humphreys at the National Office for more information.



# Micro Enterprise – An Avenue Of Hope.

By David Skeat

A profitable business sector relies on the existence of good banking and financial services; and a strong economy provides employment and prosperity for those who are part of it. However, prosperity is never a certain thing. The prosperous Australian economy bears witness to the fact that despite our affluence there are those who for whatever reason slip through the system and find themselves financially oppressed. Tragic as this is, the fact still remains that within a prosperous economy safety nets do exist to try and help such people, but take a moment to reflect on a worse case scenario. Consider the person who lives in a place that is cut off from a healthy economy and its safety nets and who have no access to secure financial services. Financially these people are doubly oppressed.

One of the basic premises of our society is that people need to be given the power to provide and care for their own family. However, the truth in many poorer communities is that families are not able to exercise this right because they are cut off from a healthy economy and they do not have access to the secure financial services that help

to foster prosperity. Believe it or not many families that are caught in such a bind would survive their bleak economic circumstances if they could have access to the basic financial and banking services that many people in the west take for granted. Many poor business people long for the opportunity to compete on a level playing field, when they can match their productivity and creativity with lower interest rates and have their businesses carry a lower debt burden.

**“...people need to be given the power to provide and care for their own family”**

In many third world countries commercial banks see poor families as being *high risk*, lacking both assets and collateral with which to secure a loan. It is an agreed principle of business that *one has to have money in order to make money*. By not having access to financial services, poor families find themselves in a *catch 22* situation where they will never make money because they have no access to it. So desperate are some families to gain access to money that they try to build businesses by funding them with loans borrowed from *loan sharks*. In Thailand these shady operators charge yearly interest of anything between 120% and 1200% on the money they loan out. This excessive interest places too high a debt burden on the business and often it fails leaving the family with a debt that they cannot service. That is why some people are born into debt. Yes you heard right, some children are born into debt, and they will be paying off the debts of their father, or even their grandfather to the descendants of the loan shark who made the original loan. These circumstances reinforce a downward debt spiral that will ensure the continued poverty of a family or community.

Poor families long to get out of debt and to have the same business opportunities as others. One way

they can be assisted to do so is through the establishment of *Micro-Enterprise Development (MED)* projects in their community.

Micro Enterprise Development is a term that describes a range of options that will help poorer families to access financial services and establish businesses that will help them get out of debt. One central pillar of MED is the process of education that trains people in ethical business practices and helps them to cope with business pressures such as buying, selling, lending and paying off interest.

One of the most common expressions of MED is Micro Enterprise Banks. A Micro Enterprise Bank will help its customers work out a business plan, get a new business started or revitalize an existing business, and will lend money to its clients at *reasonable* interest. Loans made by Micro Enterprise Banks are not large, they might be only \$100; but that \$100 proves to be the lifeline that many families need in order to survive.

*I was once introduced to a Thai family who had been living in abject poverty in a slum in Bangkok. This family's sole income stream had been through vice. The parents had both been drug addicts who spent the family food money on heroin and consequently the children were malnourished. This family was befriended by a YWAM couple that lived near their slum. The parents were greatly influenced by the kindness of this couple and decided to try and bring change to their life. Soon they went through rehabilitation and kicked the drug habit. The husband broke off with his criminal friends and went to work as a laborer but his wage was not enough to keep the family. This couple approached the YWAMers with a business idea that comprised of setting up a small business that would supplement the father's income. Their idea was to borrow \$50 so the wife could set up banana cart and sell fried bananas from the side of the road. The \$50 would buy a small cart, and a stove and the initial ingredients (oil and bananas) for their business. This was loaned to them and within a couple of weeks the wife was frying*



*bananas not far from a factory, where at lunch time, the workers would come and buy her wares. Soon she started selling cans of soft drink as well. Within three months the loan was repaid and family were now surviving. The small increase in their family income provided by their new business had made a vital difference. Within 12 months they moved out of the slum in which they lived to a better slum that had electricity, running water and a house that locked. They also paid off their family debts. The new business has provided a new level of prosperity. Their children were now going to school, and they had bought themselves various home appliances including a TV. This positive result was made possible through a \$50 loan. This is the essence of a Micro Enterprise Bank.*

For MED to work well there must first be the existence of an established market or *Macro Enterprise*, a local factory or shopping center etc. that either attracts people who have money, or puts money into people's pockets so that they can spend it. Micro Enterprise relies on being able to tap into people's disposable income by addressing identifiable holes in an already existing market.

Like most commercial banks, Micro Enterprise Banks have clients come to them whose business plan is totally unrealistic and who need help in refining their ideas. Be this as it may, research into Micro Enterprise Banks has shown two interesting phenomena. Firstly, the most reliable borrowers are women. Secondly banks that helped customers with their business plans saw a loan failure rate of less than 3%.

This paints a very bright picture for MED, what we need is to gather funds through which more Micro Enterprise Banks can be established in poorer communities. Some organizations are already doing this. ARMS will commence such enterprises in Thailand and East Timor as soon as it can raise the capital needed (approx \$10,000). We eventually hope to make Micro Enterprise Development grants through the Australian Mercy Fund.

One burning issue that is raised in the Micro Enterprise Banking field is that of interest. I believe charging interest is important. Firstly interest increases the amount of funds available for future loans, which can only be good for the wider community. It also provides a buffer should any loan fail and the money be lost. Secondly charging interest trains the borrower to work within a realistic framework and prepares them for the day when they will leave the Micro Enterprise Bank and seek to work with a local commercial bank. Therefore, I think that charging interest is the right thing to do – the only question is how much interest is just?

### **Micro Enterprise Banks have clients come to them whose business plans are totally unrealistic and who need help in refining their ideas.**

It is well-known that some Micro Enterprise Banks are known to charge 30+% interest on loans. This pays running costs and staff wages, etc, and can easily be justified, however, I believe that we need to re-examine this issue because although 30% is a long way below 120% or 1200% it still is not the *true market rate*, and in my view charging more than the true market rate of interest is only a few percentage points below the standards set by the *loan sharks*. If we are to be fair in our giving of financial services to the poor then it needs to be on a *level playing field*.

In my view a Micro Enterprise Bank should be partially subsidised until such time as it is able to cover its own running costs. This will help to guarantee lower interest rates for borrowers. Therefore I believe that whilst the initial grant for loan moneys needs to be capped from the beginning (e.g. \$10,000) – the operational costs of the bank may need subsidizing for the first 2-3 years if the bank is to be a long term success.



In the same way that Micro Enterprise Banks can help families to subsidize their income, so too well targeted grants can also help projects become more self funding. *In the refugee camps on the Thai – Burmese border ARMS helps support two preschools and an orphanage. In all of these works a small wage is paid to the caregivers who help with the children. This small wage is all the income that these refugee families have. On a trip to the border I put a challenge to the staff of one of the Preschools that they set up a business that would help to raise money to help the preschool meet its running costs. After thinking about it they decided they would raise ducks and pigs. These they would use for food in the preschool, sell to make money for the preschool and give some of the piglets away to poor widows in the camp to help them out. This program has been going on for nearly 5 years and has been very successful in reaching its goals. A small cash grant has seen a big result. Each year we collect more funds for this program so that it can extend into other parts of the camp.*

In all this though we need to remember that although Micro Enterprise is a great tool, it will not solve the problems of every poor family, but it brings hope to many, and helps put families on a more secure financial footing.

