

THE LAKOTA FUND

Kyle, South Dakota

The Lakota Fund is a community development organization that fosters the social and economic development of Oglala Lakota tribal members on the Pine Ridge Indian Reservation. The Fund's main tools are business loans, sectoral intervention, technical assistance, and targeted community and business development, applied in a culturally appropriate manner. More recent projects include construction of a small business incubator and affordable housing loan packaging.

Since 1987, the Lakota Fund has made over 220 small and micro-loans amounting to \$800,000. Loans are available through two programs. The Circle Banking Project, one of the first micro-enterprise loan funds established in the United States, provides opportunities for both borrowing and saving to reservation members, who otherwise lack access to credit and bank accounts. The Small Business Loan Program is the next step in providing access to credit, lending up to \$25,000 to individuals who operate small, formal businesses or to start-ups with a feasible business plan.

Circle banking

Circle Banking uses a peer lending model. Four to six members of a community join together and participate in five training sessions before becoming a certified circle. The members decide who first will receive an initial loan of not more than \$400; collateral is not required, but the circle members become co-debtors. Additional loans, ranging from \$100 to \$1,000, are conditional on successful repayment of the first loan and on regular attendance by circle members. Loan payments and savings deposits are made bi-weekly at circle meetings with a staff member.

Lakota Fund Director Elsie Meeks notes that much of the program is about education. "If I were to identify the one most valuable aspect of Circle Banking, I would have to say that learning to deal with and solve problems is more important than even the loans." Although circle lending generates only one tenth of the volume of individual loans, the program reaches the poorest in the community with the least financial experience. Meeks describes how an initial loan of \$250 several years ago gave

a mother of five children, who was a recovering alcoholic, a chance to become independent, start her own custom beading business, and begin steps toward getting off welfare. She was able to remain sober, became Chairperson of her circle, does not miss meetings or payments on successive loans, has seen her sales rise each year, and sets an example for other circle members throughout the community.

Support for small businesses

To receive a Small Business Loan for a start-up, an entrepreneur must take a six week training course that screens out people unwilling to invest the time and effort to create a successful business. The course assists people to learn from each other, while learning the fundamentals of business success. Lakota Fund staff provide the training, review applications, monitor reporting and debt collection. The Fund also provides technical assistance for writing business plans and for ongoing operations.

The Lakota Fund began in 1987 as a project of the First Nations Development Institute, based in Virginia. For fourteen years, First Nations has worked with tribes and Native people to "change the economic environment of reservations to one that builds on local resources, is sustainable, recognizes Native knowledge and culture, and supports development from within." Meeks notes that becoming independent from First Nations in 1991 was a milestone in the development of the Lakota Fund, because "then we took the responsibility for our success or failure."

When the Lakota Fund began, staff members had run their own businesses, but lacked experience in lending and organizational development. The "long learning curve" was one of the barriers they had to overcome. In addition to First Nations, their most important resources were the other new micro-enterprise loan funds grappling with similar issues. The National Association of Community Development Loan Funds and the Association for Enterprise Opportunities facilitated networking. The Ms. Institute's Collaborative Fund for Women's Economic Development and Economic Development Training Institute also provided assistance.

Now an independent organization, the Lakota Fund is staffed by four tribal members. The nine-member Board of Directors is also composed of tribal members who reside on the reservation, with one slot left open for a professional from outside

(this slot is currently filled by a tribal member from a neighboring reservation). Having community members who are committed to the area serving as the staff and board has been a key element of the Fund's success and survival.

The Lakota Fund's budget in 1994 was \$328,442. The organization generated \$36,500 in interest income from loans and investments. The rest came from foundations, corporations, individuals and religious organizations willing to invest in the fund for a 0-4 percent rate of return.

The Fund's loan loss rate is about 10 percent, and delinquencies range from 15-25 percent, sometimes as high as 35 percent. These rates, however, must be judged in their extremely high risk context. The Pine Ridge Indian Reservation, the home of over 20,000 Oglala Lakota, ranked as the poorest county in the United States in both the 1980 and 1990 Census. Unemployment on the reservation hovers between 75 and 85 percent. The main source of income to the reservation is federal programs for education, health and tribal government, along with ranching and farming. Most of this income is spent outside in border towns, because of the lack of a suitable business sector on the reservation.

The Lakota Trade Center

One of the main barriers to setting up businesses on the reservation has been the lack of available commercial space. In May 1995, the Lakota Fund broke ground for the construction of the Lakota Trade Center, a 13,000 square foot building, that will house the Fund and provide commercial space for seven retail or service businesses. These ventures will remain in the center for three to five years, until they can construct and operate out of their own space. The \$1.25 million construction project is being funded by a \$1 million grant from the Economic Development Administration, \$180,000 from the Bush Foundation, and \$80,000 from NorWest Bank/South Dakota. Rental income will cover operating expenses.

One of the tenants in the new facility will be an arts and crafts marketing cooperative. Because many of the Circle Banking Project members are arts and crafts producers, the Lakota Fund began to offer informal marketing assistance. This program will now become a formal entity with its own board of directors. NorWest Bank has approached the Fund about opening a branch office in the new Lakota Trade Center. The Fund had considered developing

a credit union, but may choose the bank branch rather than taking on another new project.

The former director of the Lakota Fund, Gerald Sherman, asserts that "Indian people have shown that they will not accept those things that are culturally or environmentally damaging, but will allow new concepts to become culturally appropriate." He believes that the peer lending method used by Circle Banking is more successful than previous methods tried in Pine Ridge, because it modifies the traditional *tiyospaye*, or living group, in a way that is acceptable, and because the method allows people to use the money on their own terms. For example, one woman who uses her loans to buy materials for quilting makes two quilts at a time, selling one and keeping one to give away, since "the traditional measure of wealth was not how much you could accumulate but how much you had to give." She uses part of her earnings to make loan payments and the rest to buy more supplies.

New focus areas

The Lakota Fund remains flexible in developing new programs and focus areas, in order to fulfill its mission. Recently, the Fund has begun to work on affordable housing development, also a huge need on the reservation. They began by packaging housing loans for the Farmers' Home Mortgage Association, under a contract with the Housing Assistance Council, to build expertise in this area on the reservation. The Fund is also beginning to discuss the development of a low-income housing project. Later, after careful planning and research, the Fund may go on to capitalize a housing loan fund.

—*Jobs & Environment Campaign*



UPDATE

December 1997

The Lakota Fund to date sponsored 306 small and micro loans worth over \$1.12 million. The staff has increased to seven, including staffing for the now completed 13,000 square foot Lakota Trade Center and a major low-income housing initiative.

The new Trade Center includes an arts & crafts shop and art gallery, a hospice, the offices of the Ogalala-Sioux Parks and Recreation agency, a Tribal Business Information Center, operated in partnership with the U.S. Small Business Administration and the Bureau of Indian Affairs,

How To Get in Touch with The Lakota Fund

Contact: Dani Not Help Him,
Executive Director
P.O. Box 340
Kyle, SD 57752
Tel.: (605) 455-2500
Fax: (605) 455-2585
Email: N/A
Web: N/A

Scope: Pine Ridge Reservation
Inception Date: 1987

Participants: Oglala Lakota Tribal members, banks, foundations

Project type: Alternative lending/investment, community economic development, low-income housing

Methods used: Peer group microenterprise lending, small business loans, business incubator/trade center, housing construction program

Lessons learned: It is important to hold to your mission but remain flexible in your strategy.

Lokata Express, a fund-raising business, and three vacant office spaces. These spaces are being held for use by new start-up businesses.

The Tribal Business Information Center includes a library and computer facilities to assist start-up and expanding businesses. These include model business plans and a variety of resource information stored on computers, compact disks, and video tapes, as well as in books and publications.

The Fund continues to serve a number of useful functions. Recent projects include: helping to start up a buffalo ranching operation, which now has a herd with 25 females, five bulls, and 14 calves; and assisting a video store, whose building was condemned, to complete the construction of a new store.

Work also continues on the Lakota Fund Marketing program. This program was established through the Circle Banking Lending Project to wholesale locally-produced arts and crafts products to buyers in the U.S. and Europe. The Marketing program also provides consignment services for speciality items and supplies artists with materials and supplies.

The low-income housing program includes two components: participation in a

state-wide program conducted by the Rural Development Administration, and a more specific cooperative program between the Fund and the State Housing Development Authority.

The Rural Development Administration provides rental housing for elderly members of the tribe. These are two-bedroom mobile homes, which are constructed in Springfield, South Dakota, and shipped to various sites, where they are needed, around the state. The decision was made to use smaller two-bedroom units to discourage the use of the homes by entire families.

In the cooperative building program, funding is provided by the State Housing Development Authority and the U.S. Department of Housing and Urban Development Indian Home Grant program, supplemented by a low income housing tax credit. Under the program, the Fund owns the land for the new housing, and the units are made available on a rental basis. At the present time, there are ten units under construction in a pilot housing project. The units are specifically designed to be energy-efficient and to withstand wind storms. These units are nearing completion and they are scheduled to be turned over to the new tenants in the near future.

Water and sewer service for the housing units is being provided by the Indian Health Service. Significantly, outside contractors were used for the construction, because there were no qualified tribal builders. Tribal members, however, provided much of the labor and served as subcontractors.

The cooperative building program includes doing extensive work with the new tenants. Training sessions will be held to teach the tenants how to maintain their property. A community organization will be established to assist with tree planting and area maintenance. This organization will also engage in fund raising to make other improvements. It is anticipated that tenants will make lease payments for fifteen years, and then will be able to buy their property in another fifteen years.

Future activities for the Lakota Fund include maintaining its microfunding activities, locating three additional tenants for the Trade Center, and expanding the housing efforts. Approval has been received for 20 additional units in the next phase of the housing program.

—*Community Sustainability Resource Institute*