

The Rotary Foundation

Revolving Loan Funds and Microcredit

General Policy

The Foundation has a commitment to microcredit, village banks and other programs to facilitate small economic self-help enterprises in accordance with the policies and guidelines of The Rotary Foundation. It is the policy of the Foundation to support microcredit and revolving loan funds as an important and successful mechanism to alleviate poverty.

- 1. Establishment of Programs**

Clubs and districts are encouraged to establish their own revolving loan programs, whether they involve money, animals, equipment, or other types of loan programs, as a way of undertaking sustainable development projects.
- 2. Grants for Capital**

Grant funds may be used for revolving loan capital for up to US\$10,000 per credit group. One grant may support multiple credit groups.
- 3. Review by Cadre**

Grant applications for revolving loan projects must be reviewed by the Cadre of Humanitarian Grants Advisors for technical soundness and long-term viability prior to submission to the Trustees.
- 4. Cooperating Organizations**

Cooperating organizations can assist Rotary clubs and districts working with microcredit and revolving loan funds, but supervision and control of the project must rest with the club or district. The Foundation will not consider any grant applications for microcredit or revolving loan funds involving cooperating organizations until those organizations can demonstrate their ability to meet the requirements of The Rotary Foundation and significantly involve Rotarians in these activities.
- 5. Training and Payback Schedules**

Grant projects that involve the establishment of a revolving loan fund must include training and detailed information regarding recipient payback schedules.
- 6. Revolving Loan Fund Agreements**

Grant projects that involve the establishment of a revolving loan fund must adopt a separate Revolving Loan Fund Agreement for each credit group before funds are released for that credit group. Each agreement will specify loan policies for that credit group, including interest rates, loan amounts, and payback schedules.
- 7. Continuity Plan**

Grant projects that involve the establishment of a revolving loan fund must adopt a continuity plan to ensure that capital from The Rotary Foundation continues to be used for revolving loans after reporting to The Rotary Foundation has stopped.
- 8. Project Administration Expenses**

It is recognized that under the standard Humanitarian Grants Policies and Guidelines, Rotary Foundation grant funds may be used for Rotary club and district start-up costs to support revolving loan projects until the loan fund is self-sustaining.
- 9. Use of Interest and Fees**

Interest and fees generated by revolving loan fund capital from The Rotary Foundation may be used for administrative expenses that support the revolving loan project.
- 10. Ultimate Disposal of Funds**

In the event that the Rotarian project sponsors decide to discontinue the revolving loan fund, the loan capital is to be returned to The Rotary Foundation.
- 11. Loan Guaranty Systems**

The Rotary Foundation will not fund loan guaranty systems.