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MICROENTERPRISE

ON THE ROAD TO SUCCESS

Hunger Notes

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Cover photo by C. Watson, USAID: *Self-employed tailors in Honduras are one of the many types of microenterprise supported by the U.S. Agency for International Development worldwide.*

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Microenterprise — On the Road to Success

Paul Nelson *and* **Paola Scommegna** *assisted in editing this issue's microenterprise theme. Nelson is currently a Visiting Scholar at the Center for Global Change at the University of Maryland where a grant from the John D. and Catherine T. MacArthur Foundation is sponsoring his independent research on the international alliances and networks of nongovernmental organizations lobbying the World Bank. Scommegna is an independent writer and editor specializing in global education, nutrition, international health, and related topics.*

Letters to the Editor

Dear Editor:

I want to congratulate you for an unusually fine edition. The Winter 94-95 issue "starring" Kerala [Sustainable Development, C.E. 2050: Lessons from Kerala] was exceptionally uplifting and informative. A solid service to us all. Isn't it strange that we used to hear a good deal about Kerala, but a generation of people in development (those since our schooling days) probably haven't heard about it ... except, now for your publication.

Over the next few years IDC will be concentrating on how to enhance the international effort for social development. I will tell a meeting tomorrow about your Kerala issue and encourage people to read it.

— *Robert J. Berg, President, International Development Conference, Washington, D.C.*

Dear Editor:

Keep up the great work!...Incidentally, I found your [Kerala] issue hard to understand but that's the exception. Good reason to hand it on to a new convert.

— *Gregory Votaw, Bethesda, Maryland*

Hunger Notes welcomes comments from readers. Send letters to:

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Introduction: Assisting Microenterprises — What Do We Know?

Paul Nelson

Specialized financial institutions serving poor people are among the most successful, and increasingly best known, innovations in the last generation of development assistance. From beginnings as local initiatives and/or NGO-initiated small-scale revolving funds, such lenders have grown to attract attention and financing from national governments, a number of specialized NGOs and major donors. It is estimated that last year eight million low income people borrowed or saved with financial institutions created to serve them.

Financial Systems and the Poor

It is customary to introduce micro-enterprise lending by explaining how and why commercial financial systems and government credit schemes have failed to serve poor clients. A variety of barriers have prevented people from making use of traditional financial institutions: location, complex loan application forms, collateral requirements, and the high transaction costs of small loans.

Often, formal financial systems have done more than simply bypass the poor. Sometimes they actually exploite the rural poor by, for example, mobilizing savings from poor producers to finance urban-based government or private initiatives; many banks will receive deposits on a much smaller scale than they will make loans. In this way, for example, commercial banks in Kenya and the government Post Office Savings Bank in Malawi in effect drain wealth from rural areas to urban centers and government-owned corporations.

But poor people have long had their own means of borrowing and saving. Savings clubs in many African cultures where group savings are rotated to each member in turn allow a group to pool resources to advance credit to members for special needs. Labor exchanges and cooperative efforts among neighbors in Andean communities have often included loan elements. And together with these relatively egalitarian institutions, almost every culture has a variety of patronage mechanisms and informal money lenders, often usurious.

Why the rapidly expanding interest in institutions extending cash credit and other financial services to the poor? In some countries rapid urbanization and the growth of a large, "informal" economy of small scale producers and vendors has sparked efforts to serve them. In many rural areas the crowding of arable land and increased monetization of rural economies has led more families to seek off-farm or non-farm sources of earnings, creating new demand for credit. In an era of increased feminization of poverty, a slowly expanding awareness of the gross inequality of opportunity between women and men has helped spark interest as well.

Microenterprise lending and the broader issues in development

In a period of shrinking resources for (and increased hostility toward) foreign assistance spending, micro-finance programs in their various forms — poverty lending, village banking, micro-enterprise lending — repeatedly surface as a popu-

(continued on next page)

lar and successful aid strategy. Microenterprise lending attacks a real and formidable element of the structures that keep poor people poor: the hoarding of capital and credit in labor-surplus economies. In some areas micro-lending programs have succeeded in empowering very poor populations that agencies providing development assistance previously had reached only with welfare and social service programs.

Among NGOs (non-governmental organizations), micro-lending has distinguished itself as a particularly successful aspect of community-level integrated development packages. Such integrated programs often include, for example, agricultural, public health, education and credit assistance. When new lending systems operated or initiated by NGOs demonstrated both wide coverage and outstanding payback records, this piqued the interest of larger scale donors. Such interest reached a new level earlier this year with the establishment by several bilateral and multilateral donors of a formal Consultative Group to Assist the Poorest, CGAP. Chaired by the World Bank, CGAP's purpose is to promote, coordinate and finance broader and more effective support for micro-finance.

The unique "marriage" that micro-finance represents to donors is what has brought about such keen interest. This is the marriage of respect for market mechanisms — incentives, financial sustainability, profit motives — with respect for the initiative and choices of very poor people. By making financial services available and convenient, micro-lending can enable previously excluded people to pursue their own initiatives. And by doing so in a way that is conscious of the roles of markets and the need for efficiency and self-sufficiency, micro-lending organizations present the possibility that institutions serving very poor populations can become self-sustaining, largely independent of external donors or government subsidies.

This issue of Hunger Notes outlines the evolution of NGO initiatives in the South to mediate between financial systems and poor clients, describes how solidarity peer group lending works, raises some of the important issues in microenterprise lending along with policy implications for larger donors, looks briefly at what is currently known about microenterprise lending in the United States, and highlights some valuable sources of further information on these important questions. ❑

Efua Ninsin improved her fish-smoking business with two loans (both about U.S. $285) from the Great Kormantine Credit Union in Ghana. Before the credit union opened, this fishing village had no financial institution for savings or to provide credit at reasonable rates. Photo: World Council of Credit Unions in Madison, Wisconsin

Micro-Credit and Women's Economic Empowerment: Remarks at the Fourth World Conference on Women

Hillary Clinton

The following remarks by First Lady Hillary Clinton were occasioned by her participation on the "UNIFEM Panel on Economic Empowerment," September 6, 1995, in the Beijing International Convention Center sponsored by the United Nations Development Fund for Women.

"...We are here today to talk about micro-credit—where it's needed, what it can do, how it has transformed lives. It's called micro, but its impact on people is gigantic. It takes just a few dollars, often as little as ten dollars, to help a woman to self-employment, to lift her and her family out of poverty. It is not a hand-out; it is a helping hand. From the Grameen Bank in Bangladesh to the Self-employed Women's Association in India, or to the work in Ghana you will hear about, to banks and programs modeled on these, from Indonesia to the Dominican Republic to my own country, we have seen that micro-lending works.

"Women who have received loans from the Grameen Bank, for example, have a repayment rate of ninety-seven percent, and often within one year, and they invest their money well. Some buy milk cows to expand their family's agricultural livestock. Some buy materials for handicrafts which they then sell. Others make bricks or repair bicycles. But the fact is,... give a woman a seed and she will plant it. She will water it, nurture it, then reap it, share its fruits, and finally she will replant it. In this way, step by step, the world's poorest women are leading their families, their communities, and their countries to a better future. When we help these women to sow, we all reap. I met many such women during my visit to South Asia earlier this year. I met women in India, I met women in Bangladesh. Whether it is a milk cow in Bangladesh or a computer in Chicago, women need help and encouragement and credit to make that first investment.

"I will never forget a woman I met in my own country, at a program called Mi Casa in Denver that is modelled after these programs you will hear about this evening. It is a program designed not only to provide credit, but to do something even more fundamental: To help build self-respect and self-sufficiency. The women who came to this program were on welfare but they saw a better future for themselves and their children. And they needed just a little help, a jump start, to realize their own potential. But often that jump start is difficult to come by; as this one woman told me, many great ideas die in the parking lots of banks. Because women get only so far. They don't even get in the door, in many cases, before they are turned away. That kind of discouragement has killed the dreams of millions and millions of women. In the United States we are attempting to build up a micro-enterprise network. It is still very young but already several hundreds of programs have helped tens of thousands of Americans to seek and find economic opportunity for themselves.

"This conference has identified economic opportunity as a critical area of concern. And we have to look for positive, practical ways to implement that concern. Access to credit, particularly through microenterprise, is a key priority. Our country has accepted the challenge of making the World Conference on Women a conference of commitments. And I want to announce this evening some of the actions our government will take to further self-employment and micro-enterprise development in our country. Our Small Business Administration is already making more loans than ever to women. Through the Community Development Financial Institutions Fund, we will establish a new presidential awards program to honor outstanding micro-lending organizations. These awards will provide challenging benchmarks for micro-enterprise programs throughout the nation, and acquaint the public with the prevalence of such programs within our own economy. We believe they will also highlight the important work of programs that provide micro-enterprises with key support structures such as access to credit, markets, technical advice, and training. The President also is establishing a mechanism to better coordinate microenterprise programs across a number of our Federal agencies. To ensure that those programs are doing the job they were set out to do.

"Additionally, the United States will continue to support micro-enterprise in developing countries through USAID. We know that it will take alot of education to spread the good word about micro-credit. Despite a record that is inspiring, we still meet with skepticism and outright disbelief. There are very few financial institutions anywhere in the world that can report a ninety-seven percent lending rate that is returned within a year. And yet time and again at conferences where micro-enterprise is discussed, bankers and others don't understand how they could actually do it in our economies around the world. So we are going to atttempt in every way possible in our country to spread the word and to provide such technical assistance as will make more micro-enterprise programs available.

"We are also concerned that capital formation and growth in some economic sectors often is now accompanying higher unemployment, longer hours with less pay, and severe restrictions on access to credit. We cannot allow small enterprises to be marginalized as a result of greater consolidation within the global economy. I became a believer in micro-credit years ago when my husband was the governor of the state of Arkansas. It is a poor state, and we were looking for ways to help people who didn't have access to credit. We found our model at the Grameen

(continued on next page)

Micro Credit Summit Launched

RESULTS Educational Fund

On November 18, 1995, more than 200 people from 21 countries gathered at the First Preparatory Meeting of the Micro Credit Summit. The Micro Credit Summit is the first step in a decade-long campaign which seeks to ensure that 100 million of the world's poorest families — especially the women of those families — are receiving micro credit loans for self-employment by the year 2005. RESULTS Educational Fund will convene the global Summit in Washington, D.C. in the winter of 1996 or spring of 1997. Citicorp Foundation is the event's primary funder, with a grant of $100,000.

The Summit has already captured the attention of a diverse range of individuals and organizations. World Bank President James Wolfensohn recently said, "I am personally, absolutely committed to [micro credit]...I can see the importance particularly for women in Africa, and for women generally...There is an initiative going on in which we are participating...to try to get to 100 million families by 2005 — ...if we can get to 100 million families with six [members] a family, that's half the population of the world living under a dollar a day. That's something I'm very happy to join..."

Gus Speth, Administrator of the United Nations Development Program, has told Summit planners, "...we will be happy to support you in making the Micro Credit Summit a success. I share with you a deep enthusiasm for what this remarkable tool can be in the future for poverty eradication." UNDP has pledged to finance developing country participants from all regions in the world to ensure that the Summit is as global as possible. Both UNDP and the United Nations Development Fund for Women have signed on to become early members of the Micro Credit Summit's Council of UN Agencies.

At the November 18 Preparatory Meeting, the Micro Credit Organizing Committee met for the first time to review the draft background documents and draft agenda of the Summit. The organizing committee now includes the following members: Nancy Barry, President, Women's World Banking; Ela Bhatt, General Secretary, Self-Employed Women's Association in India; Margaret Catley-Carlson, President, Population Council; Michael Chu, President, ACCION; Connie Evans, President, Women's Self-Employment Project in Chicago; William Foege, Executive Director, Task Force for Child Survival and Development; John Hatch, founder, FINCA; Wakako Hironaka, member of the Japanese House of Councillors; Ismail Serageldin, Vice President, World Bank; Ellen Johnson Sirleaf, Assistant Administrator, UNDP; Cathy Waldron, President, Citibank International; and Muhammad Yunus, Managing Director, Grameen Bank in Bangladesh.

For more information on becoming involved in the Summit, contact The Micro Credit Summit, Results Educational Fund, 236 Massachusetts Avenue NE, Suite 300, Washington, D.C. 20002; telephone 202-546-1900; fax 202-546-3228; e-mail: microcreditsum @action.org. ❑

Bank from Bangladesh and the South Shore Bank from Chicago, Illinois. That bank helped steer private investments to neighborhoods that need them, and we worked out a partnership with both Grameen Bank, thanks to Dr. Yunus, and the South Shore Bank, that created a development bank, that created a borrowing fund and began to make the kinds of investments in that state that we would like to see made throughout our country.

"It's been a privilege for me to meet leaders, such as those who are on this panel, because they have not only devoted their lives to finding ways of ending poverty, they have been successful in changing the lives of so many people. And they have particularly focused on changing the lives of women. As Dr. Yunus told me one time when he started the Grameen Bank lending idea, he had the revolutionary concept in mind of providing loans in a 50% to 50% ratio, men to women. He quickly found out that women were better credit risks, that women would invest the money more in the family, that women would repay the loans. And so gradually over time, more and more women became the focus of the Grameen Bank's lending. That was not only revolutionary, but it set a fire that has gone through the developing world as a way of telling people that women are able to become self-sufficient if they are given the tools that enable them to do so on behalf of themselves and their families.

"Because of the success of such programs, the World Bank and USAID, along with eight other major donors, have joined together to form the Consultative Group to Aid the Poor [sic] in order to finance small loans to the world's poor, the vast majority of whom are female. This is the kind of joint effort that we need to support.

"I know that when we talk about issues such as lending money to women, whether it is in a conference such as this or attempting to make the case to financial institutions around the world, there are often eyes that glaze over. Issues connected to women, such as poverty and education and health and children, or micro-credit now, are too often called "soft" by people who would have us think these issues are unimportant. Nothing could be further from the truth. If there is any message that this conference could bring about economic opportunity, it is that we must engage in micro-credit in order to build micro-enterprises. We must open the doors of banks and other existing financial institutions to women who can become self-sufficient and responsible borrowers. And we have to do so while there are people like those on this panel who are able to demonstrate clearly that this approach works. We really don't have a lot of time. The globalization of the economy has meant many, many people are being marginalized, are being downsized, are being deprived of economic opportunities. We have to now, more than ever, make micro-enterprise a key element of providing economic opportunity for women and men everywhere in the world..." ❑

Assisting Microenterprise in the South

The articles in this section cover a variety of important topics. Evaluating eleven successful microenterprise programs, Robert Christen, Elisabeth Rhyne, Robert Vogel and Cressida McKean find great strides in recent years in scaling-up outreach to serve more clients and in establishing financial viability independent of donor subsidies; they list ways to maximize the benefits of official aid. Freedom From Hunger demonstrations how micro-credit programs can also serve health and nutrition objectives. Tracing the evolution of NGO micro-lending programs, D. Drake and Maria Otero confirm a trend toward greater financial viability. But to achieve a larger impact on development, NGO's must broaden their influence, including influence on macroeconomic policies and structures so that these help, rather than hinder, the success of micro-enterprises. Rama Niang shows the importance of collective advocacy by microentrepreneurs. Hope and caution mix in Nancy Alexander's look at the Consultative Group to Assist the Poorest (CGAP), an ambitious multilateral donor initiative that relies heavily on collaboration with NGOs to promote an escape from poverty for hundreds of millions through self-employment. — **Editor**

Measuring the Performance of Microenterprise Programs by Outreach and Financial Sustainability

Robert Peck Christen, Elisabeth Rhyne, Robert C. Vogel, and Cressida McKean

The authors are either staff or consultants specializing in microfinance issues for the U.S. Agency for International Development. The following material (slightly abridged) comes from chapters 1 and 2 of their report Maximizing the Outreach of Microenterprise Finance. *USAID Program and Operations Assessment Report No. 10, published 1995 by USAID, Washington, D.C. and distributed by the Development Information Services Clearinghouse (See page 30). Reference Number PNAB5519. $8.*

This study examines the performance of microenterprise finance programs through two concepts: outreach and financial sustainability. Outreach is the basic purpose of microenterprise finance—to provide large numbers of poor people access to quality financial services. Financial sustainability refers to the creation of institutions that become independent of continuing inputs from others. These concepts are organizing principles for microenterprise finance...

The Institutions Studied

Eleven microenterprise finance institutions—generally perceived to be successful—were examined, including NGOs, commercial banks, and government-owned banks. Collectively, they operate in a varied range of geographical, cultural, and economic settings... These eleven institutions have successfully adapted their services and methods of service delivery to fit their respective client groups. Service quality is generally high and evidence of client acceptance is strong.

ACEP, in Senegal, is an NGO that grew out of a USAID-funded project. Starting in a provincial town, it now also operates in urban settings. ACEP is in the process of becoming a credit union in order to be able to raise funds through depositors.

- ADOPEM, in the Dominican Republic, an affiliate of Women's World Banking, is an NGO serving exclusively female entrepreneurs. USAID has supported ADOPEM for several years through a microfinance wholesaler. ADO-PEM also obtains loans from local commercial banks.
- Banco Solidario, S.A. "Banco Sol," in Bolivia, is a licensed commercial bank devoted solely to microenterprise and operating in major cities throughout the country. BancoSol grew out of an NGO affiliated with Accion International.
- Bank Rakyat Indonesia (BRI) is a government-owned bank oriented toward rural areas. BRI's Unit Desa system, an extensive network of small profit centers, is the portion of the institution analyzed here. USAID assisted BRI extensively in transforming the Unit Desa system into its current form.
- The BKD is a system of small banks in towns throughout Indonesia that emerged during the Dutch colonial period. The banks have been gradually modernized, though they have received little external assistance in recent times.
- The BRK, in Maradi, Niger, is a relatively young program operated by CARE. Begun in 1991 with USAID funding, it quickly surpassed expectations regarding outreach in sparsely populated areas in a country where widespread lending would appear to be difficult to achieve.
- CorpoSol (formerly Actuar Bogota) is an NGO affiliated with ACCION International and operating in the greater Bogota, Colombia, area. It has recently opened a finance company, which will allow its transformation into

a financial intermediary.

- FINCA/Costa Rica is one of the earliest programs using the village banking methodology FINCA developed. It differs from newer FINCA programs in that it serves both men and women, makes somewhat larger loans, and targets agriculture.
- The Grameen Bank, in Bangladesh, is probably the best-known microfinance institution in the world, begun as an experimental project in 1976 and given a special banking charter in 1983. It serves mainly women and operates throughout rural Bangladesh. The grameen Bank has received funds from many donor organizations.
- Kenya Rural Enterprise Programme (K-REP) is a local NGO that works in both rural and urban Kenya. K-REP began as a USAID project in 1983 and has since become an independent Kenyan organization. It adopted its current methodology, analyzed here, in 1990.
- LPD, in Bali, Indonesia, is a network of village-owned institutions supervised by the provincial government.

Lending Methodologies

The programs can be categorized according to their lending methodologies: individual lending, solidarity group lending, and village banking.

The three Indonesian programs rely exclusively on individual loans, as does ACEP in Senegal. BRK in Niger and CorpoSol in Colombia, on the other hand, place a minority of their funds in individual loans. In the [Niger and Colombia] programs, individuals typically need some type of collateral and a credit reference from someone whom the program trusts. The types of collateral and the legal means of securing it generally fall below the level a commercial bank would require. In most instances, individual loans are larger than loans under group-based methods. The LPD and BKD systems in Indonesia are exceptions; they make extraordinarily small loans on an individual basis.

The Latin American programs (except FINCA), the Grameen Bank, and K-REP use a solidarity group method. A small group of clients (generally four to seven) provides crossed guarantees, obviating the need for real collateral. Finally, FINCA/Costa Rica, the one village banking program, makes loans to groups of 30 or more people, who then administer loans to individual group members.

K-REP also has a pilot program based on preexisting groups. This program and the LPD system, a network of small, village-based institutions, bear some resemblance to the village banking model. The BRK program of Niger, which uses somewhat larger groups includes an eclectic blend of features from the individual, solidarity, and village banking models...

The main loan product of these institutions is a short-term working-capital loan, usually of 12 months or less and carrying an interest rate somewhat higher than standard commercial bank loans...

Despite superficial differences, there are striking similarities in the underlying principles of the programs, such as use of groups, social pressure, and unconventional collateral for motivating repayment; emphasis on short-term working-capital loans; and relatively high interest rates. Another underlying principle of most programs is graduated lending; the borrower's capacity and willingness to repay are determined through a series of increasingly larger short-term loans renewed on the basis of the borrower's repayment record...

These lending methodologies result in high-quality credit services compared with services offered by more traditional institutions...

The Savings Factor

Of the institutions reviewed, only the Indonesian banks offer widespread voluntary deposit services to the general public in the communities where they operate. Their most successful savings instrument is a highly liquid passbook account...

A second group of programs—the BKDs, FINCA, Grameen, and K-REP— incorporate compulsory savings requirements in their loan methods. However, these savings services do not reach beyond the borrowing clientele, and the use of savings is determined by the group, not by individual savers...

Reaching the Very Poor

All programs reach small businesses that would otherwise be excluded from formal financial services. Most reach the smallest economic activities in their local environments.

Average loan balances at the selected institutions ranged from $38 at the BKD of Indonesia to $1,016 at ACEP in Senegal (see table 3). However, most of the programs (6 of 11) cluster in the range of $200 to $400...

Programs in Bangladesh, Kenya, and Niger operate in extremely poor countries where GNP per capita is less than $358. In Bolivia, the Dominican Republic, Indonesia, and Senegal per capita GNP falls between $600 and $1,000, and Colombia and Costa Rica have per capita GNP exceeding $1,000. Programs in the poorer countries tend to serve a more mainstream clientele, while programs in countries that are better off tend to target more exclusively the poorer segments of the population...

The 11 programs reach large numbers of women. ADOPEM and Grameen reach women because of specific policy decisions; 94 and 100 percent of their clients, respectively, are women. K-REP recently decided to attend more to women because of their stronger repayment performance and willingness to form groups. FINCA International has also decided to target women, although the country program studied, FINCA/Costa Rica, has remained nontargeted and serves relatively few women. Among programs concentrating on women, motivations generally include the belief or experience that women are good credit risks and are more likely to have poor access to resources and services...

Both Rural and Urban Success

These programs show that microenterprise finance can be successful in rural and urban areas. CorpoSol, BancoSol, K-REP Juhudi (a Grameen-type) programs and ADOPEM, are primarily urban or began as urban programs. ACEP, BKD, BRI, BRK, FINCA, and LPD are primarily rural or began as rural programs. However, rural programs have moved into urban areas and vice versa. Only BRK, FINCA, and the Grameen Bank remain exclusively rural...

Among rural programs, however, key determinants of success are believed to be reasonably high population density and adequate access to communications, whereas among urban programs a key determinant is social cohesion... However... density by itself does not explain financial viability.

Scale of Coverage

Several programs studied are already making contributions on a national scale, and most of the others are growing so quickly they can be expected to achieve national importance soon. Seven of the 11 programs grew at impressive rates recently, averaging from 18 to 107 percent annually measured in total number of borrowers. Table 2 shows that small and recently established NGOs have been able to sustain very high growth rates, while the older programs tended to grow more slowly, although still at impressive rates (e.g., 23 percent by the Grameen Bank).

The largest programs, in Bangladesh and Indonesia, have already achieved significant coverage. For example, the LPD system in Bali is active in fully one half of the 1,300 villages on the island. In the villages that LPD reaches, any resident in good standing who is approved by the community's representative (village chief) has access to a loan. Virtually all residents open savings accounts. Since local units are owned by their communities and 20 percent of net profits at the end of the year are distributed to community projects, residents have an important additional incentive to save. The Grameen Bank has similar market outreach, covering nearly one half of the villages in Bangladesh as of 1992...

Both the BKD and BRI networks in Indonesia are large in absolute terms as well. As Table 2 indicates, the BKD system has nearly 1 million borrowers, and the BRI Unit Desa system has nearly 2 million. The BRI Unit Desas have reached more than 11 million savers, 6.5 percent of the entire country's population. With its 3,267 branch offices, BRI has possibly the largest branch network of any bank in the world...

No other program studied even approaches these levels of nationwide coverage or penetration. However, two have achieved a scale unprecedented for their countries and for microenterprise finance in Latin America. BancoSol has reached nearly 50,000 microenterprises throughout the country (in addition to the 10,000 that its NGO mother still administers). An estimated 600,000 families operate in the informal sector that can be considered the target population of microenterprise finance in Bolivia, although not all will want loans. Under these assumptions, BancoSol has already covered 10 percent of the

Table 1. Depth of Outreach

Measure	Range	Mean	Median
Average Outstanding loan balance (U.S. dollars)	38 to 1,016	340	308
GNP per capita (U.S. dollars)	183 to 1898	843	650
Average loan/GNP per capita	6% to 136%	57%	48%
Percentage of women clients	24 to 100	52	50

Note: Locally available data gathered by field team members.

Solidarity Group Lending is a form of credit in which a group of borrowers takes responsibility for repayment of each group member's loan. SGL redesigns the risks and incentives involved with what would normally be considered high-risk, uncreditworthy clients. Access to subsequent loans depends on successful repayment by all group members. Typically, a small group of microentrepreneurs join together to receive access to credit and other services such as training and organization building. Group members select one another. Loan sizes usually start small with short repayment periods and increase as credit history grows and business expands. Program staff go out to people where they work or live. This makes it easier to judge the creditworthiness of applicants and for borrowers to make and manage their loans. ❑

potential market with loans. CorpoSol, with approximately 32,000 clients, has probably reached 5 to 8 percent of potential Bogota-based microenterprises...

The remaining programs operate on a smaller scale and would not show more than 3 percent coverage.

Financial Viability

Financial efficiency is a challenge of surmounting two hurdles. The first is operational self-sufficiency, where program revenues cover all administrative costs. The second is full self-sufficiency, achieved when revenues also cover the costs of raising funds on a commercial basis without subsidy.

Table 3 shows the financial results obtained by the selected programs during 1993. Results are expressed in inflation-adjusted (real) terms. All but the BRK program in Niger have overcome the initial hurdle of operational efficiency.

The newest program in the sample, BRK, is still perfecting its promising service delivery methodology and has not yet mastered the management challenges required for efficient operations.

The 10 remaining programs cover the cost of day-to-day operations from income on assets. Five have achieved full self sufficiency...

Table 2. Growth of Outreach of Selected Microenterprise Finance Programs

Program	No. of Borrowers, 1990 (000)	No. of Borrowers, 1993 (000)	Average % Annual Growth/ No. of Borrowers (1990-93)	No. of Savers, 1993 (000)	Average% Growth/No. of Savings Accounts	Total Assets, 1993 (US$millions)
BancoSol	15	46	47	N/A	N/A	34.1
BKD	621	907	18	817	3	62.6
BRI	1,893	1,897	0	11,325	17	2,288
CorpoSol	6	32	78	N/A	N/A	15.7
FINCA	2	5	57	5	N/A	1.7
Grameen	853	1,587	23	1,587	N/A	238.7
K-REP	0	7	107	5	N/A	1.9
LPD	64	145	32	379	49	25.6

Note: Programs with compulsory savings generally have the same number of borrowers and savers.
Source: Locally available data gathered by field team members.

Table 3. Financial Viability of Microenterprise Programs, 1993

Program	Operational Efficiency	Return on Average Assets
	Level I. Subsidy Dependent	
BRK	44	-11.5
	Level II. Operationally Efficient	
K-REP	106	-18.5
FINCA	98	-6.3
Grameen	105	-3.3
ADOPEM	94	-0.8
ACEP	142	0.1
	Level III. Profitable	
Banco Sol	107	1.0
BRI	113	1.6
BKD	197	3.2
CorpoSol	124	4.9
LPD	148	7.4

Note: Locally available data gathered by field team members.

Can financial services be provided to the poor on a financially viable basis?

A limited form of financial viability, defined as operational efficiency, can be achieved in a range of settings and client populations by institutions of varying origins.

The results regarding full self-sufficiency are less conclusive. Microfinance organizations can reach full self-sufficiency in certain settings. Moreover, full self-sufficiency can be achieved by institutions serving the very poor as well as those aiming at slightly higher income clientele. Because three of the five fully self-sufficient institutions are in Indonesia, this assessment cannot state conclusively that full profitability is routinely possible. The rapid development of BancoSol and Corpo Sol and trends at other institutions, however, suggest that in several years this level may be consistently achieved in a range of settings. ❑

Ugandan market vendor offers surplus yams for sale. When the Foundation for International Community Assistance (FINCA) recently surveyed participants in its village banks in Uganda, here were some of the responses: "FINCA has changed us," said Olive Gesa, member of the Wairake Women in Progress Bank. "I am allowed to sit at the table with my husband and budget for the family." At Kyaterekera, Betty Muganza told the director, "I praise FINCA because my knees are getting softer. Before ... I had to kneel for everything and the times I would kneel daily were innumerable." Mukose Luusi, another Kyaterekera member said, "Everybody says I am looking younger. From the little I get, I can now afford a pint of milk which we share with my grandchild." (FINCA's *Annual Report 1994.*) Photo: USAID.

"Credit with Education" Combats Hunger

Freedom from Hunger

Testimony presented by Ellen Vor der Bruegge, vice president of Freedom from Hunger, before the House of Representatives Subcommittee on Foreign Agriculture and Hunger on March 1, 1994 ("Credit with Education: A Self-Help Strategy to Eliminate Chronic Hunger"), supplemented by other FFH reports up to June 1995, is the basis of the following account. Further information and a recent publications list are available from Christine Dobson, Assistant to the President, Freedom from Hunger, P.O. Box 2000, Davis, California 95617; phone 916-758-6200; fax 916-758-6241; Internet e-mail: 53-4-8275@mcimail.com.

Freedom from Hunger, a voluntary development assistance organization based in Davis, California — together with local partners in Bolivia, Honduras, Thailand, Burkina Faso, Ghana, Mali, Togo and Uganda — is implementing a micro-credit strategy called Credit with Education. Total lending since 1988 exceeds $3,683,000. The strategy combines financial services to women in poor rural areas with education on matters of health, nutrition and family planning, as well as on microenterprise development and how to manage a credit association. By June 1995, the program had grown from 230 credit associations in 1989 to 601 associations with 16,515 members. Individual loans average $69. The rate of repayment is 99.1 percent.

People often ask why the program is only for women. What about the men? Credit with Education does not ignore men; it reaches them and their children indirectly by empowering women — mothers and wives — with their own bank, their own school, and their own support group, all in one self-managed credit association. The word "empowerment" has taken on many layers of meaning, but here it refers to the growing self-confidence of the women participants as they learn and earn together. This self-confidence helps them raise healthier children and contribute more to the household and community economy. As household and community leaders, the men in areas served by the program do not seem to be threatened by this kind of empowerment. In fact, they report their satisfaction and even pride in what the women of their households and community are accomplishing. Their children are healthier and for this the men are thankful.

For combatting chronic hunger and malnutrition among children, women (particularly mothers) are the most cost-effective point of entry to poor families in need. Women are the primary caregivers to children. The household role of men in traditional societies is usually confined to providing the house, certain household furnishings and equipment, and the basic staple foods, which in rural areas are mainly provided from land controlled by men.

In many rural regions, good land is becoming scarce. More and more men have had to migrate to distant cities in search of work, leaving their wives and children in the rural villages. Many do their best to send or bring home some of what they earn, if they find jobs. Others, in despair, untimely death, or for other reasons never return to their families. All of this means an alarming rise in the number of female-headed households (estimated to be over 30% in all of Africa) in which women have most or all of the responsibility for the survival of their families. These [*de facto* though not *de jure*] women-headed households are often the poorest and most disadvantaged of rural households.

For all of these reasons, Credit with Education focuses its financial and educational services on women. Through a mother's participation in the program, the whole family can benefit. A woman is almost always the one responsible for the food, health, and care needed by the family, particularly the young children who are the family members most vulnerable to chronic hunger and malnutrition. Improvements in the woman's ability to provide food, health, and care are the keys to better family nutrition.

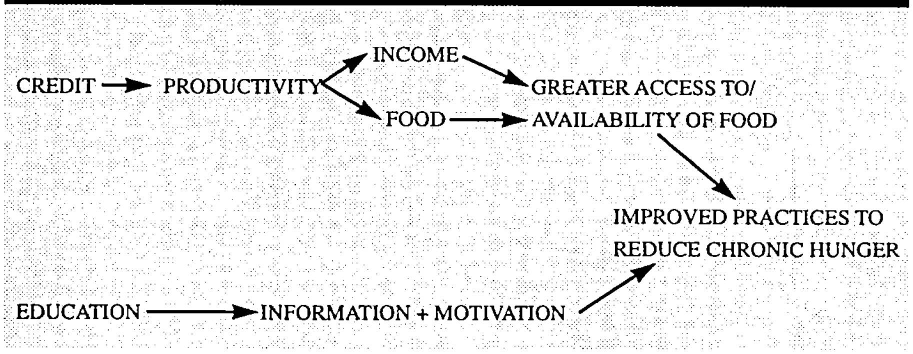
The Credit Component

Both the education and the credit components are channeled to community-based credit associations made up of 20 to 30 very poor but economically active women. The credit component incorporates poverty lending techniques shown to be most effective in reaching and assisting households vulnerable to hunger and malnutrition. A series of very small (between $10 and $300) short-term loans (four to six months) are provided with a minimum of paper work at commercial interest rates. Loans are made on the basis of group guarantee rather than individual borrowers' physical collateral. Loans are repaid in weekly installments with mandatory savings. Only when the principal and interest owed by the entire membership has been paid can the credit association receive an additional loan.

Women who are better-off have other options for obtaining money; they generally prefer not to bother with forming solidarity groups and paying interest on very small loans that require weekly payments. Self-selection by the participants, therefore, tends to screen out those less vulnerable to hunger and directs the program's benefits to those groups with the greatest need.

Before applying for loans, credit association members discuss their

Reducing Chronic Hunger through Credit with Education



proposed income-generating activities with each other and decide on the feasibility of the loan activity. The women invest in activities in which they are already skilled and need little technical assistance, such as processing and selling food, raising chickens, operating a small shop, and buying and selling or making clothing. The loans enable the women to expand and diversify their income-generating activities. They also often replace more costly sources of working capital and material inputs. For example, they can obtain equipment or raw materials for their enterprise more cheaply when they can pay cash up front than when they have to purchase these things on credit [especially at the exorbitant interest rates commonly demanded by local money lenders].

The increased profits that members of the credit association enjoy and their accumulated savings tend to be directly channeled toward the families' basic needs such as food and medicine. In addition, as women's incomes increase so does their bargaining power within the family. Women gain more ability to influence the allocation of general household resources toward "human development" such as investments in better nutrition, health, and education.

Education is Crucial

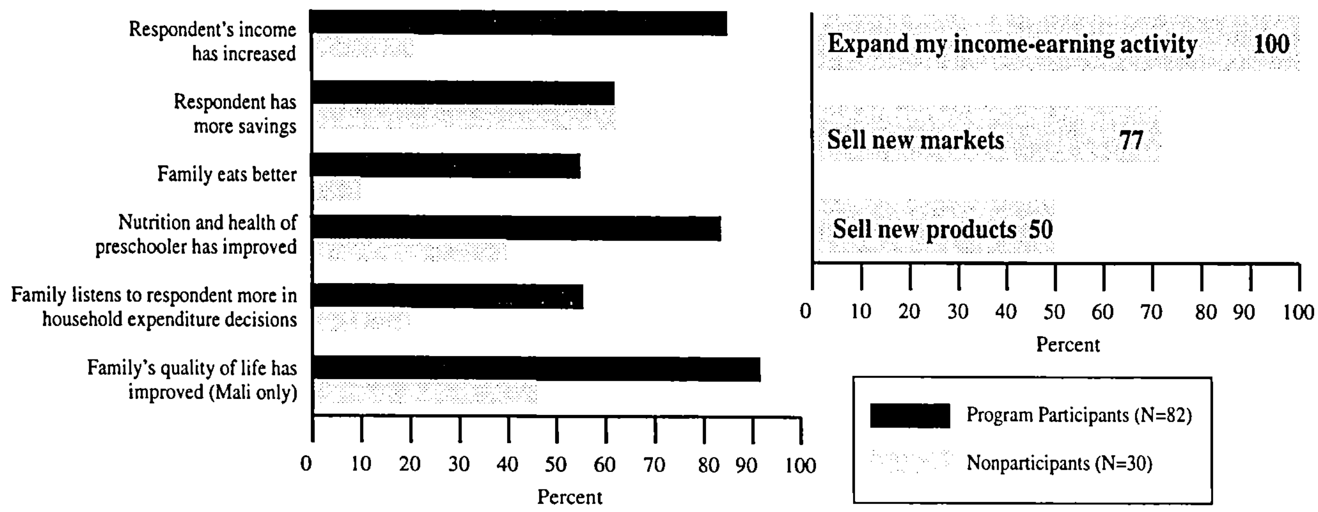
Credit with Education combines information to improve people's lives with the means to do so. The credit (means) side of the program would not be as effective in combatting child malnutrition as it is without the education component. Lack of income to buy food is only one of the major causes of chronic hunger and malnutrition. Another primary cause is lack of information and knowledge about health and nutrition issues.

At the weekly meetings of the credit association, Credit with Education staff use a problem-solving approach to educate members about certain ideal practices which are critical to maternal and child health and nutrition. The educational model is sufficiently flexible to incorporate a participatory process of assessment, analysis, and action. Role plays, pictures, symbols, and stories introduce a hunger-related problem or concept in the context of the local experience and environment of the association members. Then questions posed by the staff stimulate participation and personalize the problem to help members analyze the problem themselves and discover practical solutions.

The whole process, occurring as it does within the supportive atmosphere of the credit association meeting, enhances decision making and promotes commitment by the women

Quality of Life Changes for Program Participants in Honduras and Mali

As part of a larger, independent evaluation of the program in October 1991, eighty-two randomly selected participants in Honduras and Mali were interviewed about changes in their lives since joining the program. Similar questions were asked of 30 nonparticipanting women who compared their situation at the time of the survey with a year previously.



to solve the problem in question. Members also are encouraged to discuss and follow up on the problems and solutions outside of the scheduled weekly learning sessions.

The staff for each program site reviews existing studies and Ministry of Health priorities and documents in an effort to better understand the key maternal and child care problems of that country or region. For example, the timing in infant development at which other foods are introduced to supplement breastmilk is universally important, but traditional practices of supplemental feeding start too early in some countries and too late in others. Thus, the specific topics addressed at credit association meetings vary from country to country or place to place within a single country.

All of the health and nutrition problems and ideal practices which the staff introduce for discussion fall within four broad categories: (1) timing and spacing of births, (2) infant and child feeding (including breastfeeding), (3) diarrhea management (including preventive hygiene), and (4) immunization of infants and women (where adequate services are available). Research shows that these topics address those health and nutrition practices within the power of poor mothers to choose and implement in their daily lives which can have the highest impact on overcoming problems of diet and illness.

To ensure that the programs are effective and genuinely address local needs, "Knowledge, Attitude and Practice" (KAP) Surveys are conducted by field staff. Supplemented by focal group discussions, the surveys serve as an important tool for staff training. They clarify the problem areas and the women's attitudes and beliefs, help the staff plan the learning sessions, and are used to encourage analysis and discussion at credit association meetings.

Conclusion

Women working together at all levels within the Credit with Education program make it successful. The women manage their own bank, school, and support group. When women identify their own problems and discover their own solutions, the chance that they will take action to eliminate their problems is much greater. The management responsibility and experience that come with control over resources and decision making instill new skills and confidence. As a result, women can become influential actors in developing a better quality of life for their families and communities. These impacts are mutually reinforcing and will be handed down from mother to daughter for the benefit of future generations. ❑

A Microenterprise Snapshot from Trickle Up

Appollo was one of many street children in Kampala who called the Nakasero Market "home." An orphan, he lived with an uncle while he worked at the market, carrying shopping bags for the market's patrons. At age 11, Appollo took responsibility for a two-year old relative who had also become orphaned. He worked weekends at the market to pay the child's school fees and relied on the help of an older friend, George, to pay his own fees.

In 1992, George died of AIDS and Appollo's uncle remarried, forcing Appollo and his young relative to leave his house. Appollo was obliged to find a new home and a way to support himself and his relative. Life became increasingly difficult as the two children sought to make a home amidst the substance abuse and crime that permeate the market and the street children who live there.

Last year, Appollo approached a Trickle Up Coordinator in Uganda... with a proposal for starting his own dry goods shop. He had prepared a budget for all his business expenses, including a list of inventory items and the projected selling price of each. His first proposal was too ambitious to be considered for funding, but Appollo revised the proposal and was given a Trickle Up grant which, along with other private donations, helped him get his business started.

(Within a few months)... it was well-stocked and served a steady stream of customers. Five youths worked in the store, ranging in age from 12 to 23. They used the profits from the business to pay school fees for some, and gave those whose fees couldn't be paid the opportunity to learn the retail business, thus providing them with a means of livelihood.

After three months, Appollo's group received their second Trickle Up grant check. The group used the check to buy a bicycle, which greatly reduced the overhead cost involved in transporting their goods. Much to the credit of their hard work, the group's Business Report reveals that their weekly income has tripled and that the group members are better clothed, able to afford more substantial medical care and feel more optimistic about their future than ever before.

Reprinted from Trickle Up in Africa. *1993 Continent Report. Since 1979 the Trickle Up Program has combined nonformal business training with small conditional grants to very poor entrepreneurs who agree to invest at least 1000 hours in "sweat equity," reinvest 20% of all profits, and submit regular progress reports. For further information contact Trickle Up, 54 Riverside Drive, PHE, New York, NY 10024-6509; telephone 212-362-7958; fax 212-877-7464; e-mail: 73444. 557@compuserve.com.* ❑

The Evolution of NGO Micro-lending Programs

D. Drake and Maria Otero

D. Drake is ACCION International's Director of Capital Formation and Maria Otero directs the Washington D.C. office. The following is excerpted with permission from "The Evolution of NGOs Toward Financial Intermediation," chapter 3 in ACCION International Monograph Series No. 6 (1992): Alchemists for the Poor: NGOs as Financial Institutions, *by Drake and Otero. ($12 from ACCION International Publications, see page 30).*

Microenterprise projects began as experiments with new lending methodologies. Group lending in various forms began to take shape, in the Grameen Bank in Bangladesh, in ACCION programs through solidarity groups, and in other community-based organizations. Most NGO demonstration projects attached a microenterprise component to existing grass-roots projects as an additional vehicle for achieving broad social and community development objectives. Programs remained small and targeted specific communities.

Two additional factors are distinctive of this period. First, grants from international donors financed all components of the microenterprise projects — the loan fund, training, and operations. Second, the debate about program self-sufficiency began at this time, but remained very general and always assumed the availability of donor funds for future programming. Costs remained very high and NGOs had little incentive to lower costs and increase efficiency. ...

The second stage, roughly covering the period 1982-88, gave rise to second generation projects that either evolved from the first stage or were created anew. The differences with the first stage were gradual, but striking. First, the number of borrowers reached through each project became an increasingly important issue in project design. New organizations, such as ADEMI in the Dominican Republic or the Paraguayan Foundation for Cooperation and Development, were created with the sole objective of increasing access to credit among the poor . ...

As NGOs began to specialize, microenterprise programs became less and less part of integrated development activities. The NGOs that focused on microenterprise development also began to develop greater managerial and financial sophistication in the monitoring of their credit programs. Additionally, they began to hire more technical staff, and to focus considerable attention on improved management and monitoring systems. By the end of this stage the most advanced organizations had established effective management information systems, some had computerized, and many had stronger financial expertise than their predecessors....

Several issues during this stage dominate the debate. Self-sufficiency of programs is among the most important. Driven in great part by donor insistence, there was increasing agreement that microenterprise programs must address the question of sustainability by aiming to cover operational costs with earned income. The capacity to achieve self-sufficiency became, during this stage, one measure of program success...[T]he third and current stage, which began at the end of the 1980s, moved organizations toward financial intermediation.

The "Expansion-Led" Approach

ACCION takes what is termed the "expansion-led" approach. This approach is that of NGOs that have decided to specialize in financial services, scale up their microenterprise lending activities, and move toward financial intermediation to reach tens of thousands of borrowers. The decision to expand lending activities becomes the vision that drives these NGOs forward, influences their operations in very significant ways, and ultimately is the determining factor in differentiating their work from that of other NGOs. These organizations become specialized lending institutions whose primary objectives are to improve the quality and efficiency of their lending operations and expand them significantly.

Once an NGO decides to expand, its potential area of coverage becomes the whole country. This redefinition of its role means that the NGO must not only seek financial sustainability at its current level of lending, but must also find the resources necessary for the planned expansion....

The expansion-led approach creates internal changes well before an NGO is prepared to change its institutional format. The NGO must hire staff with strong technical skills in financial management and credit operations, and must train its current staff more rigorously in these areas. The composition of the NGO staff gradually changes to include disciplines necessary for financial intermediation. As a result, the salary structure also changes, responding to the higher salaries that the market offers these professionals.

Efficient financial management of the lending operations and the organization becomes a priority for the NGO...

Attention to efficiency in delivering financial services becomes another priority concern. The systems for obtaining loan information, reviewing and approving applica-

In Kenya, Rose Njirani used her loan of U.S. $500 from the Kiambu Teachers Credit Union to purchase eight acres of land to farm and to begin building a house. She now has U.S. $2,000 in savings. Photo: World Council of Credit Unions, Madison *Wisconsin*.

tions, disbursing and collecting loans, must not only respond to the needs of the clients, but must also reflect low costs of operation and capacity to expand.

From NGO to Financial Intermediation

[Converting a development NGO's role to that of intermediary between poor people and credit institutions requires the NGO to conceive its work in important new ways. These new ways are reflected in the NGO's new operational language.]

Changes in concept from

- nonprofit institution to financial institution;
- beneficiary to client;
- grants to loans;
- grant management to risk management;
- income to revenue;
- salaries to transaction costs;
- self-sufficiency to profit;
- board members to shareholders;
- endowment to equity;
- donor grants to investment;
- community developers to financial specialists.

The conflict that arises is quickly apparent. These organizations seek to maintain their social development objectives and combine them with the profit objective of a financial institution. While they make use of financial market tools for their lending — charging positive interest rates often higher than commercial rates, reducing risk, and increasing efficiency in their operations — they also target their credit to a poor population that appears risky and least able to pay for its credit.

The social agenda these NGOs pursue is the creation of access to financial services for a significant number of poor people. These organizations interpret their possible transformation into financial institutions as a way of changing the closed nature of lending in their own countries by opening the financial system to previously excluded populations. Demonstrating that there is a market for these financial services and providing them in a sound financial manner responds to their financial sustainability objective.

This topic is very complex and not easily exhausted in a short discussion. One challenge for these organizations is to maintain the integrity of this duality of purpose and not allow one part to overtake the other. The ownership profile — who invests in these institutions and what values they bring as shareholders — will safeguard or compromise the social commitment of the institution. A move toward financial intermediation could make an organization lose sight of its social objective, much as adherence to only the social agenda could make it ignore the steps necessary for long-term, unsubsidized viability. ❑

Malian Artisans Break Trade Barriers

Rama Niang

Rama Niang is Grant Monitor and Communication Coordinator in Oxfam America's West Africa regional office based in Dakar, Senegal. The following article from the Fall 1995 issue of Oxfam America Viewpoint *is reprinted with permission. For more information contact Oxfam America, 26 West Street, Boston, Massachusetts 02111-1206; telephone 617-482-1211; fax 617-728-2596.*

As with other countries in West Africa, Mali is undergoing severe financial and economic crises that are having a disproportionate impact on the poor and contributing to an increase in unemployment in cities and underemployment in rural areas. Malian artisans — engaged in crafts such as weaving, soap making, tailoring, and cloth dying as well as skilled trades, including welding, carpentry, painting, and mechanics — are playing an increasingly important role in the economy. Far from being saturated, this sector, which includes an estimated 800,000 artisans and more than 100,000 apprentices, has the potential to absorb large numbers of Mali's unemployed— more, it is thought, than the industrial sector. In addition to its national importance, the artisan sector can provide fairly substantial income to Malian families.

Economically and Politically Marginalized

Despite their great economic potential, artisans have historically been marginalized, with government responsibility being passed from ministry to ministry with each change in administration. According to artisan Souleymane Sarr, "Artisans have been abused by a lack of acceptable standards in apprenticeships, training, and work for artisans." Artisans had no recognized legal status and were therefore easily exploited. They were not allowed, for example, to bid on government contracts and could only work as sub-contractors to intermediaries who would pay them low wages. Artisans were also required to pay taxes to several agencies, a complex and burdensome process. Because most artisans are illiterate, they had no written records and were often exploited by unscrupulous tax collectors. Had they had access to international markets, they would have been charged exorbitant export fees.

Conscious of the importance of their role in the social and economic development of their country and eager to reverse the discriminatory laws and practices that placed them at an unfair disadvantage, Souleymane and other Malian artisans decided to organize themselves into a common front to defend their interests and rehabilitate the concept of craft guilds. In 1990, they established the National Federation of Malian Artisans, known by its French acronym FNAM.

In 1991, Oxfam America funded a FNAM seminar to identify the problems faced by artisans and begin to develop an artisans' code. According to Souleymane, "It was through this seminar that the federation began to develop confidence in itself. We began to see which way our work as a federation lay."

Today, FNAM represents artisans belonging to 104 artisan cooperatives and associations, 29 of them women's groups.

Artisans Gain Legal Recognition

FNAM organized its members to lobby for passage of the "Code de l'Artisanat" which confers legal status on artisans. FNAM also succeeded in changing the tax structure so that their taxes are consolidated into one easily calculated amount. In similar fashion, FNAM was instrumental in passing legislation creating the "Chamber of Crafts," a para-public professional institution run by members to represent the general interests of the artisan sector before the government and promote professional training for artisans, better product quality control, and improvements in production and marketing techniques.

FNAM's representation on the Economic, Social and Cultural Council and the National Committee for Quality Control of Local Products allows artisans to participate in decision-making in areas that concern them and that advance the Malian economy.

To expand members' markets, FNAM representatives network with chambers of commerce and get on mailing lists so they are invited to trade fairs. As a result, they are cutting out the middlemen and expanding their markets to other West African countries, Europe, the Caribbean, and the United States.

By being organized and well-informed, and having the courage to break with tradition and address issues of empowerment and prejudice, Malian artisans provide an important example for other sectors of the population.

FNAM was able to take advantage of recent changes in the Malian political environment and the emergence of a "democratic space" in which organizations of civil society could defend their views and promote their own solutions to the problems faced by their community. They have been astute enough, committed enough, and probably lucky enough to have managed a very complex situation with great tact and vision.

(continued on next page)

Although it is still too early to tell, FNAM seems well on its way to bringing about structural changes in the Malian political, economic, social, and cultural environments that are leading to positive, sustainable change in the lives of many Malians.

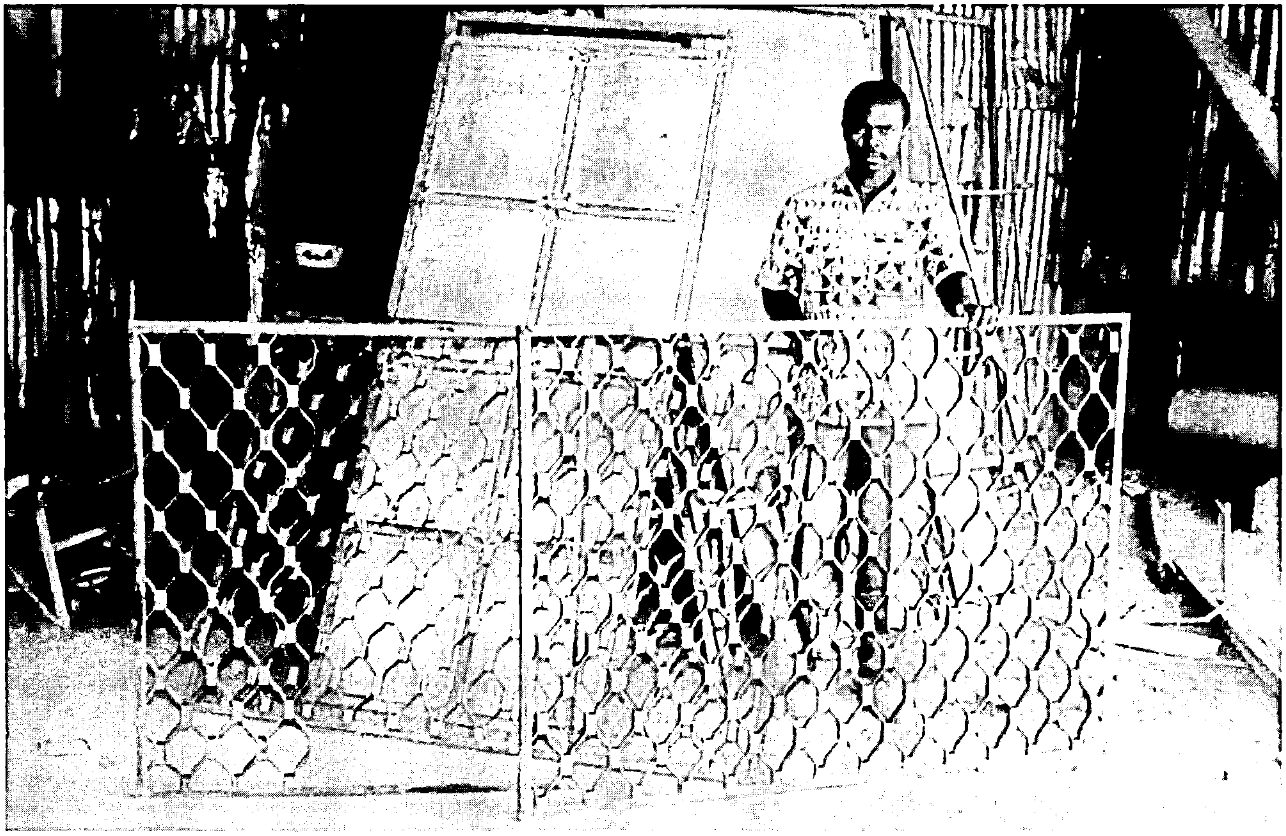
A Role Model for Woman Artisans

A key person in the development of FNAM is Assitan Traore, the first woman on the board of FNAM, elected because of her vision and organizing skills. An artisan herself— a dressmaker who dyes her own cloth — and president of a 40-member women artisans' association on the outskirts of Bamako, Assitan brought years of experience organizing women's groups for economic production. It has not been an easy road for her, as the artisan sector, until recently, was dominated by "the old men" who saw no leadership role for women. Assitan recalls:

"At first, I only had the support of a couple of men on the board. But I was good at organizing, I had skills, and gradually they began to see my value. And even when it was hard, I kept doing it because I knew there were a lot of women watching me. Some looked up to me, but many were watching just to see what happened to me. I wanted to show them what a woman can accomplish, even in a sector as backward as the artisans."

Until last year, Assitan, who now holds the position of FNAM treasurer, was the only woman out of 15 board members. This year, at Assitan's instigation, FNAM's general assembly included workshops on "Women and the Law" and "Women and Work" and three more women were elected to the board.

Assitan's notoriety within FNAM is due not only to her role as a board member, but also to her courage and persistence in breaking into the U.S. market last year. She was chosen to represent FNAM at an "African Marketplace" sponsored by the Atlanta organizing committee for the Olympics. Undeterred by communication problems, difficulties obtaining a U.S . visa, and her inability to speak a word of English, Assitan flew to New York and "asked her way to Atlanta," arriving on the last day of the fair. Once there, she successfully negotiated a contract to export 1,000 pieces of bogolan fabric (similar to African mud cloth) to the U.S. every three months, representing a breakthrough in the U.S. market and directly providing steady work for 20 woman artisans. ❑



In Cameroon, Solomon Anye's loan from the Azire Cooperative Credit Union gave him his first major operating money needed to buy materials for his metal working business. Photo: World Council of Credit Unions, Madison, Wisconsin.

Lessons for Donors

Robert Peck Christen, Elisabeth Rhyne, Robert C. Vogel, and Cressida McKean

The following has been adapted with permission of USAID from Maximizing the Outreach of Microenterprise Finance. *(pp. 45-46.). (See full reference on page six here.)*

This evaluation of 11 successful micro-enterprise lending programs suggests that , with the right model for self-sufficient financing and effective outreach, microenterprise institutions can grow to address the demand for financial services in poor communities around the world. With this in mind, donors should:

1. *Assess organizations' commitment to achieving operational efficiency and ultimately full self-sufficiency within a reasonable period.* Operational efficiency can be achieved in most parts of the world and in a range of geographic and economic settings, and donors should have clear expectations that any microfinance program they support will reach operational efficiency in a reasonable time period....Institutions can attain scale and leverage while including the very poor in their clientele.

2. *Insist that organizations price their services at levels that support financial viability.* In particular, programs must adjust interest rates to cover program administration costs and counteract the potentially erosive effects of inflation.

3. U*se performance standards in making funding decisions....* Indicators of effective performance include operational efficiency, interest rate and fee policy, and reporting standards.

4. *Invest in institutions with the potential to reach full self-sufficiency and significant outreach.* Donors should stress support that fosters movement to greater financial self-sufficiency. In essence, donors should view themselves as underwriters of the commercialization of microenterprise finance in general, and as start-up investors in specific endeavors....Programs examined in this study typically required 5 to 10 years to become self-sufficient, often with substantial donor support.

5. *In the early phases of start-up, donors should concentrate on helping programs achieve operational efficiency, including establishing a lending methodology and operational strategy for service delivery.* At this stage, donors are often a key source of start-up capital. However, start-ups should be granted a short time frame, such as one project cycle. If efficiency is not achieved, donors should cease support.

6. *Donors looking at programs that have already achieved operational efficiency should target institutions committed to tapping other sources of funds, with concrete goals and plans.* They should place greater emphasis on both improving financial performance reporting, given the higher standards required by investors, and financial skills....They should prompt the institutions to meet the legal requirements to become licensed financial intermediaries or to access other commercial funding sources and to mobilize savings to enhance institutional development.

7. *For top performing programs, donors should consider helping in the transition to full independence.* Donor attention will most likely center on (a) mobilizing deposits, (b) providing support in identifying and securing equity investors, (c) increasing capitalization through retained earnings or equity investment, (d) enhancing supervisory standards for microenterprise finance and strengthening policy dialogue with the government regarding supervisory standards for microfinance.

8. *Donors should insist that supported organizations use accounting principles appropriate for private sector financial institutions to report on their performance.* These principles should be broadly consistent with international standards. They should be prepared to offer technical assistance to organizations to develop the capacity for such reporting.

As more microenterprise finance programs vault the hurdles to operational efficiency and then full profitability with strategically applied external support, they can begin to reach millions of poor families with high-quality financial services. Enlarging opportunities for families to lead more secure, empowered, and healthy lives and provide their children with better economic opportunities is the ultimate purpose of microenterprise finance. ❑

The Poverty/Entrepreneurship Tension

"Kenyan NGOs are struggling with the question of who the target beneficiaries of NGO credit programs should be — the very poorest of people or poor people who are already entrepreneurs? Because NGO welfare programs focus on the poorest of the poor, their credit programs tend to serve the same constituency. When welfare criteria are used to select beneficiaries, the credit programs end up with borrowers who are not entrepreneurs....Credit programs should not be overly concerned with strict definitions of beneficiaries. Since credit programs are demand driven, general criteria on who qualifies for credit are sufficient."

— Albert Kimanthi Mutua, "The Juhudi Credit Scheme: From a Traditional Integrated Method to a Financial System Approach," in New World of Microenterprise Finance, *eds. Maria Otero and Elisabeth Rhyne (West Hartford, CT: Kumarian Press, 1994), 269-270. Mutua is a financial analyst and manager of the Kenya Rural Enterprise Program.* ❑

A Vision For Africa

Ruth Bamela Engo-Tjega

I am sitting under a palm tree
My eyes are closed
There's a cool breeze blowing
A VISION

I see a small stream
It is swelling, swelling
I see a lot of water but not a flood
Oh!
This water is taking a strange shape
A triangle
Water in a shape of a triangle
Yes, water covering the whole
triangle
Water, a lot of water but not a flood
A triangle...
Africa
A VISION

I see a highway going from
N'Djamena to
Windhoek through Adamaoua and
Bitam
Oh...
Big trucks on the highway!
I see long trucks
Large trucks
Modern trucks
What are these trucks carrying?
Well, one just stopped in front of
A Golden Palace
It is offloading
Bags
Boxes
Cases
Bags, boxes, cases of what!
Wow!
Bags of corn
Cases of okra
Boxes of cassava
Modern trucks, on beautiful
Highways stopping in front of
A Golden Palace and you
Tell me they are carrying
Just plain cassava?
Ah...
I see a Head of Government
Followed by an elegant first lady
Holding a delicate little princess
They just entered their
Dining room
They are eating
But what?
They are eating okra and gari
Not spaghetti
They are eating mangoes and
paw-paws
Not peaches
They are eating the food
Their people grow
They are eating the food of their
land
A VISION

I see many learned people
Holding books but speaking
Strange languages.
Oho...
A university in a village!
I am now in a classroom
No, I can't believe it
They are teaching science in Zulu
not Afrikaans
I see a college of women farmers
They are graduating right here
In the village
Swahili
Hausa
Lingala
Bassa
Zulu
Amharic
Academic languages!
A VISION

I see Sahara green
I see Kalahari desert filled with
cotton.
Cotton fields again?
Don't tell me we are back to
slavery
Cotton fields
With people singing
Not sad songs...
They are not crying
They are singing Makossa!
Trucks on highways again
But this time they go across
From Dar-es-Salaam
To Nouakchott
Through Luanda
Benin and Ouagadougou
Trucks filled with cotton
They stop in Kumasi
Offload cotton and
Load the finest Kente cloth
They stop in Bamako
Offload cotton and
Load the most colorful tie-dye
They stop in Kano
Offload cotton and
Load adire
A VISION

Then I see a crowd
Women, men, children
They are peaceful and proud

Ruth Bamela Engo-Tjega is Senior Expert in the United Nations Office of the Special Coordinator for Africa and the LDCs. Her poem appears in Choosing Our Future : Visions of Sustainable World, *Tanvi Nagpal and Camilla Foltz, eds. (Washington, D.C.: The 2050 Project, World Resources Institute, 1995). It is reprinted with permission of World Resources Institute.* Choosing Our Future *(ISBN 1-56973-028-8; 160pp.; $14.95 plus shipping) is distributed by WRI Publications, P.O. Box 4852, Hampton Station, Baltimore, MD 21211 (tel. 1-800-822-0504).*

It's fascinating
All the men look like royals
In their cotton robes.
Women in their Kaba ngondos
Complemented by large turbans
Exude confidence and pride
A VISION

I see a wonderful choir
Composed of young people
Coming from North, South, East
and West
They are all wrapped in Kente
cloth
They walk along the gardens of
Achimota College
Singing with one voice
AFRICA
A VISION

Who are the designers of these
beautiful clothes?
Who are the masterminds
Celebrating the beauty of our
people?
Chris Seydou
Not Christian Dior
Anne Bebe
Rose Wisseh
Water not a flood

Cassava eaten in a golden palace
A college of women farmers
Choirs dressed in Kente cloth
Chris Seydou
Anne Bebe
Rose Wisseh Ahneva
A F R I C A

NGO Perspective on The Consultative Group to Assist the Poorest (CGAP)

Nancy Alexander

The following article first appeared as "Donors Engage Organizations of Civil Society, Including NGOs" in News & Notices for World Bank Watchers *#11 (Nov. 1995), a newsletter edited by Nancy Alexander as Director of the International Financial Institutions Accountability Project at Bread for the World Institute, 1100 Wayne Avenue, Suite 1000, Silver Spring, Maryland 20910; telephone 301-608-2400; fax 301-608-2401; e-mail: bread@igc.apc.org. Reprinted with permission.*

Backround Note: The immediate history of the Consultative Group starts with the International Conference on Actions to Reduce Global Hunger, hosted by the World Bank in Washington D.C. on November 30 and December 1, 1993, at which the World Bank expressed a willingness to join with other donors in an effort to explore ways of systematically increasing the resources available to the very poor. At a Paris meeting the following June, interested bilateral and multilateral donors appointed a seven-member Donor Working Group to explore the options. After two more meetings, the Working Group proposed a Consultative Group to Assist the Poorest (CGAP), a micro-finance program to be housed at the World Bank, with an initial lending portfolio of approximately $100 million anchored by a World Bank contribution of 30% (up to $30 million) from its Special Program budget and the remaining $70 million contributed (in cash or programming) by other donor-members of the Consultative Group. The Executive Directors of the World Bank approved this proposal on March 21, 1995. The CGAP was officially constituted June 27-28, 1995, in Washington, D.C. by nine founding donors: Canada, France, Netherlands, and the United States; African Development Bank, Asian Development Bank, and World Bank; International Fund for Agricultural Development (IFAD) and the U.N. Capital Development Fund/U.N. Development Program (UNCDF/UNDP). Initial pledges to CGAP from these founders — approximately $200 million in programs and cash — doubled the original target. Australia, the United Kingdom, and the Inter-American Development Bank joined the Consultative Group almost immediately. Now IFAD is to host the second meeting in Rome, February 5-7, 1996.

CGAP's founding "Policy Framework" specifies three purposes: "(i) expand the level of resources reaching the poorest of the economically active poor, initially through channeling funds through sound micro-finance institutions that meet the eligibility criteria approved by the Consultative Group; (ii) improve donor coordination for systematic financing programs; and (iii) provide governments, donors and practitioners with a vehicle for structured learning and dissemination of best practices for delivering financial services to the very poor." CGAP's Secretariat is housed in the World Bank's Vice-Presidency for Finance and Private Sector Development, with Ira Lieberman as CEO. Ms. Mohini Malhotra is Secretariat Operations Manager. A newsletter, FOCUS, is available on request. To contact CGAP, see "Micro-Enterprise Focal Points" on page 30. —plk

The Consultative Group to Assist the Poorest (CGAP)...is one of several models for direct provision of resources to NGOs by donors.

Donors generally view NGOs as low-cost service providers. Many NGOs resent providing more and more "band aid" services once provided by their government. (In the U.S., social "safety nets" are being shredded or abandoned and a staggering level of social service provision is being shifted to NGOs.)

Rather than being relegated to *crisis management*, many NGOs want to help shape the policies of their countries in ways that *prevent* social, environmental, and political crises. NGOs need open and democratic environments which invite participation in country-wide policy and priority-setting.

The CGAP has the potential to influence [World] Bank and donor policies as well as expanding the effective provision of microfinance.

The CGAP was launched in June in order to expand the availability of microcredit to very poor people and to catalyze change in large-scale donor (especially World Bank) operations in ways that benefit poor people. The Bank reports that it will evaluate the functioning of the CGAP mechanism to determine whether it should expand and, if so, what other services it might provide.

CGAP operations will begin in February [1996]. Negotiations among the World Bank management and Board and among donors to launch the CGAP were difficult and protracted — 18 months. Some donors resisted the idea of the World Bank — as a lender to governments — offering grants to non-governmental entities.

Now sixteen donors have joined the governance body, or Consultative Group, which will have its second meeting in Rome in early February. At this date, the CGAP donors are bilateral or multilateral agencies. At last check, Japan, Spain and Switzerland were still considering joining CGAP; Germany and Italy have ruled out membership. We understand that foundations and individuals able to ante up $250,000 for the Secretariat and $2 million in microfinancing programming will also be permitted to join.

The Consultative Group and the three-person Secretariat (housed at the World Bank with a Bank CEO, Ira Lieberman) are advised by an 11-person Policy Advisory Group (PAG) comprised primarily of NGOs and chaired by Dr. M. Yunus of the Grameen Bank. The Policy Advisory Group met for the first time on October 30-31, 1995. The meeting began as a joint donor-PAG meeting, but NGOs asked the donors to leave early-on. The PAG held a public meeting at the Washington Hilton Hotel on November 1, which was attended by approximately 150 people.

The seven Northern-based members of the Policy Advisory Group are: Nancy Barry, *Women's World Banking*; Renee Chao-Beroff, *Centre International de Development et de Recherche*; Martin Connell, *Calmeadow Foundation*; Klaas Kuiper, *International Agency for Economic Development*; Maria Nowak, *Caisse Francaise de Development*; Maria Otero, *ACCION International*; and Lawrence Yanovitch, *Founda-tion for International Community Assistance (FINCA)*.

The ... Southern-based groups include: Muhammad Yunus, *Grameen Bank [Bangladesh]*; Kamardy Arief, *Bank Dagan Nasional Indonesia*; Ela Bhatt, *Self-Employed Women's Association [India]*; [and Kimanthi Mutua, *Kenya Rural Enterprise Program.*]

These individuals were invited by the donors to serve as individuals, rather than as representatives of their institutions.

NGOs on two committees — the World Bank-NGO Committee and the NGO-World Bank Hunger Steering Committee — have given input to the CGAP. The current Chair of the World Bank-NGO Committee called CGAP an "important breakthrough." Members of the NGO-World Bank Hunger Steering Committee have noted "the potential" of the CGAP.

At the same time, members of both Committees have objected to the lack of Southern-based NGO representation. They have expressed interest in an improved selection process; procedures to prevent NGO conflicts of interest; and a slower rotational schedule for members of the PAG. There has been some concern that only the PAG chair is permitted to attend the formal CG [Consultative Group] meetings. Otherwise, the CG will conduct discussions with the PAG and other NGOs on the day prior to their formal meetings. The CG did not invite the PAG to Rome for their 5-7 February [1996] meeting, but the PAG has invited itself.

At [PAG's] November 1 public meeting, Dr. Yunus shared his feeling of momentousness that people, such as himself, who ally with poor people and take a "worm's eye view" of development where joining with the World Bank, which takes a "bird's eye view" of development, in order to help CGAP succeed. Those with a "bird's eye view" impose development "blueprints" from above, he said. He jokingly referred to CGAP as an organization where one can "see the gap."

Dr. Yunus and other PAG members expressed their complete enthusiasm and backing for the Bank-based Secretariat... Nancy Barry of Women's World Banking emphasized that the microfinance experts on the PAG have been invited to help mold the "clay" of CGAP. Although the PAG has an advisory, not a decision-making, function, [Secretariat CEO] Ira Lieberman stressed that the donors would be crazy to assemble such terrific experts and not listen to them.

The PAG envisions the CGAP as having three "concentric circles"

In El Salvador, Rosa Anita Gutierrez is the sole support of her family of four. With a FINCA loan, she purchased enough inventory to start a small store operating out of her home. Through village banks, support groups of 20 to 50 low-income women, FINCA provides working credit to microenterprise in fourteen countries. Photo: FINCA.

of activity: (1) the innermost "circle" ($30 million plus provided by the World Bank) which will be administered by the CGAP in order to build the capacity of established microcredit institutions; (2) the "circle" [representing] some $200 million in "parallel" donor funding which is administered by donors independently of the CGAP; and (3) the outermost "circle" of learning and institutional change activities. Since the actual funds administered by the CGAP are a "drop in the bucket," the PAG is placing "monumental" importance in the CGAP's catalytic possibilities.

The PAG thinks that it would not be feasible or desirable for CGAP to use the $30 million (or more) which the Bank will provide as "core" funding to administer lots of tiny projects. It thinks that the Secretariat, funded at $3 million, should not be overburdened with start-up efforts. They see CGAP as empowering more appropriate agencies (such as UNDP, the Canadian International Development Agency, the Dutch) to mobilize the will and the resources for effective start-up efforts.

The PAG recommends that the

CGAP focus on the goal of supporting intermediate range ($500,000 per annum lending) microfinance institutions which need an "extra push" to operate on a fully commercial basis. Proposals for support of such institutions would be presented by the CGAP Secretariat to a World Bank committee for vetting and approval.

The point was stressed that it would be a conflict of interest for the CGAP to both propose and approve of projects. Over the years, it has been observed that, for the most part, the World Bank Board has allowed management to do just that — propose and approve its projects. The Bank Board [may stall] but doesn't reject lending operations proposed by management.

While one PAG member recommended very narrow eligibility criteria, another stressed that capacity-building needs vary between institutions, locales, nations, and regions. He emphasized that there are areas in which microfinance institutions are lacking altogether.

Ultimately, PAG members see the CGAP as a small step toward the goal of the 1996 Microcredit Summit [*page 4*] — namely, providing $100 million in credit to the poorest families, preferably women, by the year 2005. In moving toward this goal, the PAG is likely to encourage the creation of national microfinance funds which would support start-ups and networks with local currancies.

The PAG sees the learning and institutional change agenda directed at governments, financial institutions and donors, but especially at the World Bank. The PAG sees the CGAP's comparative advantage in catalyzing the development of financial systems, especially those which are locally-controlled, in ways that reach very poor people. It does not see a comparative advantage for CGAP in pushing the microfinance learning frontier.

PAG spokespeople expressed the need to create a counter-culture within CGAP, the CGAP Secretariat, the World Bank and the donor community which is biased toward poor people. Dr. Yunus said that CGAP should be entrepreneurial; it should not require people to come and justify their existence and their programs. He advised the CGAP against doing "a lot of slick P.R." [public relations] or trying to teach the world what microenterprise is, but rather [to facilitate] the dissemination and diffusion of ideas. What is important, he stressed, is not just the liberation of funds, but the liberation of ideas and institutions. He made the point that there is "wild rice" growing within staid institutions that needs cultivation.

Members of the PAG want the Bank to help transform financial systems in ways that work for the poor majority by first inviting the "know-how" of the CGAP to "infiltrate" the mainstream operations of the Bank; second by supporting "exposure trips" on which financial leaders can interact with low income women and participating institutions; and third by wielding its power and influence among bankers, donors and governments to leverage changes to benefit very poor people.

(One PAG member expressed interest in having a serious "blow-out" on issues raised by microfinance practitioners at the normally stuffy International Monetary Fund/World Bank Annual Meeting.)... ❑

Datebook — planning ahead for 1996

March 21-24. ***1996 COOL National Conference on Student Community Service: "What If...Transforming Our Communities Together"***, at George Washington University. Details: GWU Office of Community Service, 800 21st St.,NW, Ste. 427, Wash. D.C. 20052. Tel. 202-994-2843; fax 202-994-3863; e-mail: coolconf@gwis2.circ.gwu.edu.

April 11-14. ***Global Realities and the Local Community: Challenge for Educators***, in Monterey, California. 10th National Conference of The American Forum for Global Education. Details: American Forum, 120 Wall St., Ste.2600, New York, NY 10005. Tel.212-742-8232; fax 212-742-8752; e-mail: globed@igc.org.

September 5-8. ***Post Beijing — Effective Actions for the Platform***, in Washington, D.C. Seventh International Forum of The Association for Women in Development. Details: Karen Mulhauser, Forum Chair, 1511 K St. NW,Ste.825, Wash. D.C. 20005. Tel. 202-463-0180; fax 202-462-0182; e-mail: awid@igc.apc.org.

October 16. ***World Food Day and WFD Global Teleconference.*** Details: Patricia Young, Coordinator, U.S. National Committee for World Food Day, 1001 22nd St.NW, Washington, D.C. 20437-0002. Tel. 202-653-2404; fax 202-653-5760. ❑

Assisting Microenterprise in the United States

Peer group lending is only one among the several models of microenterprise development being studied by the Aspen Institute's Self-Employment Learning Project (SELP) in Washington, D.C.. SELP is a five-year research and evaluation effort designed to produce new information and encourage dialogue on the field of self-employment and microenterprise in the U.S. as a poverty alleviation and employment generating strategy. The Aspen Institute is conducting a longitudinal assessment of seven leading microenterprise programs representing a variety of client populations and models in several regions of the country. Following various preliminary papers, SELP recently published the results of data collected during the baseline year of field research. Authored by Peggy Clark and Amy Kays, *Enabling Entrepreneurship: Microenterprise Development in the United States* (Aspen Institute, Washington, D.C. 1995), includes in-depth interviews with 405 entrepreneurs served by the programs and provides the most substantive and comprehensive information yet available on the characteristics and experience of American microentrepreneurs, the programs which assist them, and key issues for future policy. Hunger Notes is grateful for permission to cite some of the findings of this report. — Editor

Microenterprise Development in the United States

Peggy Clark and Amy J. Kays

The following excerpts are from Enabling Entrepreneurship: Micro-enterprise Development in the United States. *Baseline Year Report of the Self-Employment Learning Project. They are reprinted here with permission. Copies of the full report are available for $18 each from the Aspen Institute, P.O. Box 222, Queenstown, MD 21658; telephone 410-820-5364; fax 410-827-9174.*

Who are microenterprise programs reaching?

Programs typically work in disadvantaged communities with poverty rates ranging from 8.1% to 23% and unemployment rates ranging from 4.2% to 27%.

- 62% percent of microentrepreneurs in the study are members of a minority ethnic or racial group; of the total sample, 42% are African-Americans and 18% are Hispanic.
- 78% of all respondents are women.
- 58% of survey respondents have some education past high school (83% have completed high school).
- 30% of respondents started their microbusiness because they needed additional income or because they needed a job...

How do microenterprises contribute to household economic stability in the U.S.?

The majority of clients in the programs surveyed, 56%, rely on their microbusiness as their primary source of earnings. Many microentrepreneurs, however, utilize a "patchwork quilt" approach to income, "patching" from more than one earnings source to earn enough to maintain a household; 49% report at least two different sources of individual income.

Of these "income patchers", 37% work at a part-time or full-time job as well as running their microbusiness; 16% receive some form of public assistance as a primary or secondary income source...

What are the characteristics of U.S. microbusinesses? Are microbusinesses profitable?

Of the businesses in SELP's survey, 66% employ the owner-operator alone, while the remaining 34 percent (133 businesses) employ an additional 332 people.

- 46% of the businesses earn a profit in a normal month and an additional 17 percent break even.
- 47% of firms report gross sales of less than $1,000 a month, while 25% report gross sales of $2,500 or more; 21% take in $1,000 to $2,499 a month in gross sales.
- 27% of surveyed businesses are 4 years old or more, while 22% are less than one year old, 17% are one year old and the remaining 18% are 2 to 4 years old.

What issues do SELP's findings raise about microenterprise assistance in the U.S.?

While most clients are poor, programs serve clients from a range of income levels. While the majority of clients fall below or near standard definitions of the poverty line, most programs also serve clients who earn moderate incomes. This points to the possibility that programs in fact operate two distinct tracks within the microenterprise program: one for which the goal is the alleviation of client poverty through self-employment, and the second which is designed to promote very small businesses or fulfill the needs of underserved clients in disadvantaged communities. The latter goal is similar to traditional small business development strategies, but differs in that it reaches clients who cannot find loans or technical assistance elsewhere, perhaps because they are minorities or women, or because their businesses are too small or are located in an area without services.

The majority of microbusinesses in this study are profitable or break even on a monthly basis. Contrary to conventional wisdom that might assert that microbusinesses are too small, too young and therefore fragile and generally unprofitable, 46 percent of businesses in this study are profitable on a monthly basis and an additional 17 percent break even. Further, a substantial percent seem to be growing and adding employees, thereby creating jobs in communities where jobs are desperately needed. While most are very young (under 3 years old), a significant percentage are 5 years old or older. This points to the possibility that there are a large number of established, productive businesses in low-income communities that may be underserved by traditional financial institutions and business assistance centers.

Training and technical assistance are critical to microbusiness success. Microenterprise programs all offer some combination of credit and technical assistance to potential or established entrepreneurs, but they differ markedly in the kinds of technical assistance and lending program they offer. Programs are tailored to meet specific community needs as well as the needs of the particular client group the program is targeting. While there are similarities among microenterprise programs, it is important to recognize that there are distinct differences in methodology. Over time, specialized microenterprise strategies within the field may become apparent. For example, today a specific subset of programs targets welfare clients, another subset aims to promote the growth of established businesses in an isolated rural community, yet another subset develops minority women entrepreneurs through a program which integrates self-esteem building into a business development curriculum.

There is a need to search for a new paradigm for program success that goes beyond the scale or size of programs alone. Microenterprise programs in the United States are somewhat overshadowed by the tremendous scale of older microenterprise programs in the developing world that have become legendary: The Grameen Bank of Bangladesh which reaches almost a million borrowers, Banco Sol in Bolivia and the Bandan Kredit Kecamatan in Indonesia. While the scale of programs is a critical measure of any program's performance, it is not necessarily the most important indicator. There is a vast difference between the size of the self-employed sector in the developing world, which can represent 50 to 60 percent of the working population, and that of the self-employed population in the United States, which is generally between 10 and 15 percent of the working population. The effectiveness of microenterprise programs in the United States may come to be judged by a broader array of success indicators than solely that of the scale or size of programs in terms of numbers of clients reached. Other possible indicators of success in the United States may include the following:

1. *The ability of U.S. programs to graduate clients to the formal banking sector.* This goal has proven to be difficult to attain in the developing world because of the great gulf between informal sector microentrepreneurs and the banking sector. In the United States, we are seeing more microbusinesses that are established and profitable and operate as formal sector businesses. These features, coupled with new attention to Community Reinvestment Act compliance that encourages increased bank lending in poor communities, may lead to the ability of more microentrepreneurs to obtain loans from traditional banks, with assistance from microenterprise programs.

2. *The ability of programs to deliver cost-effective technical assistance and training.* Most U.S. program operators agree that technical assistance is critical to the success of the microentrepreneurs they serve. It is much more difficult to operate a successful microenterprise in the U.S., given the complexity of the economy and the stiff competition that even very small businesses face. In the developing world, the "minimalist" model of microenterprise assistance, meaning, in essence, cost-effective credit only, has become the most respected model. In the U.S., even the most cost-effective programs also offer training and technical assistance along with credit. Given the observed need for technical assistance in the U.S., it can be expected that programs that can design effective, low-cost training programs will prove to be the most successful.

3. *The ability of programs to find cost-effective and "client-effective" service delivery mechanisms.* Given the relatively limited volume of microenterprise clients some U.S. programs may have in relation to the expenses they will carry for technical assistance and training, programs need to find ways to deliver services cost-effectively. One way that may gain prominence is "piggy-backing" with other local service providers, such as other community-based organizations who have a presence in the community, or other skilled technical assistance providers such as Small Business Develop-ment Centers or community colleges. "Client-effective" programs will have strong links to communities and a close knowledge of microentrepreneurs and the economy in which they operate, and will tailor particular services (various kinds of training and/or technical assistance, and different sizes of loans) to specific target groups based on their needs.

Assessment Components

The assessment has three components. Together, they provide a comprehensiove picture of client and business change over time, program status and growth, and a description of program context, methodology and outcomes.

The three components are designed to benefit from a combination of the objective insights of an external evaluation partner, the in-depth knowledge of practitioners, and the overview perspective of the SELP staff. This assessment has two objectives: to produce data that policymakers will find credible, and to help practitiners to produce and use data to inform practice. Consequently, it utilizes external evaluators, agency staff, and SELP staff for different aspects of documentation and analysis.

The first component, the *Program Profile*, is intended to give a broad, quantified overview of the performance of individual SELP agencies as well as a picture of the field as it is represented by the subset of the seven SELP agencies. An important element of the Program Profile is that it builds upon and boosts agencies' internal data collection systems. Agencies collect and report on demographic and economic data of clients and their businesses as clients enter microenterprise assistance programs. Additionally, programs provide data on numbers of clients, loan information, portfolio information, and other indicators. Profiles are updated [semiannually] in June and December.

The second component, *In-depth Client and Business Case Studies*, forms the heart of the SELP assessment framework. This is a longitudinal survey following the progress of 405 clients and their businesses. Data collected include both quantitative and qualitative indicators. This component is intended to answer the core key questions that relate to changes in client income and economic status over time and business changes over time. This baseline report details the findings of the first wave of data collection in 1992. Subsequent waves were conducted in Fall 1993 and Fall 1994, and additional waves are scheduled for Fall 1995 and Spring 1996.

The third component, *the Agency Case Studies*, describes each agency over time as a distinct operation in a discrete economic and political context. Data gathered describe agency mission, institutional features, operations, methodology, and outcomes. The first round of Agency Case Studies was completed in late 1992. The second round was completed during 1994 and 1995.

Profiles of the Seven SELP Agencies

I. **The Good Faith Fund (GFF),** located in Pine Bluff, Arkansas, is in the heart of the Delta region. Created in 1988, the Good Faith Fund is a nonprofit program of the Southern Development Bancorporation, a federally regulated bank holding company dedicated to rural economic development in the state. The Southern Development Bancorporation was created by the founders of South Shore Bank in Chicago, one of the first community development banks in the country, at the behest of the Winthrop Rockefeller Foundation and then-Governor Clinton. As one of the non-profit arms of Southern, the Good Faith Fund was a pioneer effort to replicate the peer lending approach of the Grameen Bank of Bangladesh in the United States. In its five years of operation, GFF has continued to administer its innovative peer lending program but has also added an individual lending program that works with more traditional collateral requirements. As a program of a bank holding company, GGF's role is to widen the profile of potential entrepreneurs to include women, minorities and other dislocated workers. Operating in a sparsely populated, rural and poor region, GFF has assisted 403 entrepreneurs and made 185 loans totaling $594,450 in the period from May 1988 to December 1994.

II. ***The Institute for Social and Economic Development (ISED),*** headquartered in Iowa City, Iowa, provides intensive technical assistance to low-income individuals who are interested in starting a business. The Institute was founded in 1988 with a demonstration program to offer services to women who were interested in self-employment as a route off of welfare. Since that time, the Institute has grown to serve nascent entrepreneurs in 33 counties in Iowa and 3 counties in Illinois. The Institute differs from the other programs...by not offering credit directly, but by delivering an intensive technical assistance package that includes business planning and self-esteem building. The programs then link some entrepreneurs with banks for loans, some of which are partially guaranteed by the Institute. Until recently, ISED served only very low-income entrepreneurs, in particular women on welfare. The Institute has served 2,043 clients, 307 of whom started businesses and 76 who expanded their businesses in the period from 1988 to December 1994. In that same period, ISED assisted entrepreneuers to obtain 161 loans totaling $1,131,477.

III. ***The Rural Economic Development Center's (REDC) Microenterprise Loan Program,*** based in Raleigh, North Carolina, operates statewide through 15 local community development organizations. The program was initiated in 1989 as one part of a comprehensive enterprise development initiative supported by the North Carolina legislature. Created as a demonstration program, the Microenterprise Loan Program was designed to address several clear questions, the key ones being: "Is there a demand for very small amounts of credit and does the delivery of this credit lead to improvements in the local economy?" And, "Is there a cost effective way to deliver this credit?" Two program methodologies were implemented, the group lending model and the institutional, or individual lending model. The demonstration phase proved successful, and the program has received support from the state legislature for expansion. Central to the structure and philosophy of this program is the use of a "piggy-backing" approach — entering into partnerships with local community organizations who add microenterprise to the array of services they already offer. This approach helps keep transaction costs low and helps to support a close relationship between lender and borrower while still allowing state-wide program coverage. From September 1989 to December 1994 REDC served 543 clients, 155 of whom started businesses and 251 expanded the businesses they already had. In the same period, REDC disbursed 357 loans with a total value of $1,962,163.

IV. ***The Women's Self-Employment Project (WSEP)*** was founded in Chicago, Illinois in 1986 with the mission of raising the level of economic self-sufficiency of low- and moderate-income women in Chicago through self-employment. The program utilizes two techniques of credit and technical assistance delivery: group lending, based on the Grameen Bank model, and a more traditional individual lending program. WSEP also runs a program targeted specifically to women on welfare. WSEP's programs provide a range of support services to entrepreneurs, emphasizing participatory approaches to training and technical assistance which are designed to bring out the talents and skills of individuals and give women the self-esteem needed to succeed in business. From June 1986 to December 1994, WSEP served 1,397 clients...[and] disbursed 468 loans for a total value of $883,769.

V. ***Portable Practical Education Program/Micro Indus-try Rural Credit Organization (PPEP/MICRO)*** was founded in January 1987 to serve entrepreneurs in the border towns of Arizona and California. As one of the first microenterprise programs in the United States, it drew from the experience of ACCION International, a successful microenterprise organization with experience in Latin America. Rather than utilizing the group lending approach, PPEP/MICRO chose to use the concept of business associations, or groups of 20-30 microentrepreneurs, who meet regularly and assist each other's businesses....PPEP/MICRO specifically targets businesses that have been in operation for at least a year and does not fund start-ups. [It] places a great value on encouraging its entrepreneuers to expand their businesses and create jobs for new employees. Serving a predominantly Hispanic population, PPEP/MICRO supports businesses in the poor but economically active area of Arizona's border with Mexico. Many PPEP/MICRO businesses sell to Mexicans who cross the border to shop or acquire services. In the period from January 1987 to December 1994, PPEP/MICRO served 720 clients and disbursed 1,418 loans totaling $2,670,200.

VI. ***The Coalition for Women's Economic Development (CWED)*** was founded in Los Angeles, California in 1989 with the mission to assist low-income women to achieve self-sufficiency through self-employment. Since then CWED has expanded its outreach to include male entrepreneurs [who] currently make up approximately 25 percent of all clients served. CWED's guiding philosophy is based on providing peer support and encouraging greater self-confidence among business owner clients. The...methodology...is a combination of the Grameen Bank model and the Solidarity Circle model pioneered and used by ACCION International in Latin America. Both Solidarity Circles and CWED's Micro Business Workshops (MBW) assist entrepreneurs in accessing its Revolving Loan Fund. Through MBW programs, CWED provides basic entrepreneurial training to microbusiness owners who are starting or expanding a business. CWED serves five low-income areas [in and near Los Angeles] with a very large client base of African-Americans and Hispanic-Americans. From 1989 to December 1995, CWED served 2,394 clients, assisted in 629 business starts and 1,430 expansions, and disbursed 199 loans for a total of $585,602.

VII. ***Women Venture (WV)*** was formed in St. Paul, Minnesota through the merger of WEDCO (Women's Economic Development Corporation) and CHART, a women's career and employment services agency. WEDCO was founded in 1983 to provide microenterprise development assistance directly to low-income women; CHART dates to 1978. Women Venture provides the Minneapolis-St. Paul community's most comprehensive services to women in the areas of career and business development. Its mission is to secure a stronger economic future for women through employment, career development, business development, and financial responsibility. WV's basic services are available to any woman, regardless of income, but most clients are low- to moderate-income women. Men are eligible to receive services, but as of December 1994, few had participated. ❑

Group Loans Help New England

Elizabeth Ross

Reprinted from The Christian Science Monitor *(December 23, 1991, p. 7) with permission of The Christian Science Publishing Society. All rights reserved. Elizabeth Ross is a reporter for the Boston-based newspaper.*

Beverly Formhals admits feeling a little anxious when she opened a new hot dog restaurant with her finance last spring in th[e] small factory town [of Athol] in central Massachusetts. Not only is this her first business venture, but the area has been hit especially hard by the recession. The unemployment rate hovers around 15 percent while some stores have been forced to close down.

But with a little help from a new "group loan" program called Working Capital, Ms. Formhals has watched her wiener business, called "Chuck and Bev's Doghouse," become a popular downtown eatery.

The idea behind Working Capital is to get business borrowers in groups to take out small loans together. The group provides moral support while peer pressure encourages borrowers to pay back loans. These small-scale entrepreneurs have no collateral. So most were denied bank credit.

"It's a great program," Formhals says. "The banks won't touch us. Nobody will give us anything anymore because of the economy and the rate of businesses folding."

Working Capital, based at the Institute for Cooperative Community Development (ICCD) of New Hampshire College in Manchester, N.H., coordinates local peer lending programs in Vermont, Massachusetts, and New Hampshire. So far, Working Capital oversees 12 local groups consisting of six to ten self-employed borrowers.

The ICCD, a nonprofit organization, receives commercial loans from banks at 9.5 percent interest and oversees the Working Capital program. ICCD also receives foundation money for operational costs. Working Capital then manages and administers the entire program. But the actual loans are approved by member businesses in various communities; members make loan repayments directly to the banks.

The program's 140 entrepreneurs make an unusual group. An animal trainer in Bellows Falls, Vt., for example, borrowed $1,000 for materials to build a dog house. A Burlington, Vt., woman borrowed $500 to develop a logo and buy supplies for her jalapeno pepper business.

"We're pretty much small-time for the banks to fool with us," says Charlie Carey, who is paying off a $1,000 loan for his flower shop in nearby Orange, Mass.

Group members go through a training period where they learn how to create their own bylaws and elect their own officers. They also learn how to review loan applications and approve each other for loans.

A group starts out with each member borrowing $500 with a repayment period of four to six months. No one can borrow more money until every one in the group repays the first loan. Then the group can go ahead and apply for more loans in increments of $500 up until $5,000. Called micro lending, the idea has been widely used in third-world countries like Bangladesh. Jeffrey Ashe, director and founder of Working Capital, says he had a hard time selling the idea when he developed it for New England in 1988. But the regional recession, which began here in 1989, has generated interest in the idea.

Group support has been a critical element in the program. In regular meetings, members exchange ideas, provide each other with technical assistance, and encourage each other. "I was scared to death" when the restaurant opened, Formhals says. "But I got a lot of help from my group and they said, 'Just go for it.'"

Jane Rosser, a independent consultant in Vermont, says while the program is still young, it is showing positive results. According to Mr. Ashe, out of 160 loans, only four or five are late or problem loans.

The program is also unique among peer lending programs in the US because it delegates responsibility to local levels, keeping costs down, Ms. Rosser says. "To date, it's obvious that there is a lot of potential for the program.... Basically, it's a sign of hope."

As for "Chuck and Bev's Doghouse," Formhals dreams of further ventures beyond just franks. "I'm thinking of an ice cream machine. I'd like to get into some frozen yogurt," she says. ❑

Lakota Fund Inspires New Hope on Sioux Reservation

Gerald Sherman

Gerald Sherman is Executive Director of The Lakota Fund. The following is reprinted from Grameen Dialogue *(January 1992), quarterly newsletter of the Grameen Trust. Subscriptions ($25/year) are available from Results Educational Fund, 236 Massachusetts Ave., NE, Suite 300, Washington, D.C. 20012; tel. 202-543-9340; fax 202-546-3228.*

When I started working with a group of people to start The Lakota Fund on the Pine Ridge Indian Reservation [of the Oglala Lakota in South Dakota] in 1985, it was to strengthen the economy of the area by starting small businesses that would provide jobs, raise family incomes, and keep the money from flowing off the reservation. But when we started lending in 1987 and began experiencing problems, we realized it wasn't going to be as easy as we thought. Our attempt to solve the problems led us to the Grameen Bank approach in 1988.... However,...I didn't see [the real potential of peer group lending] until I visited Bangladesh in 1989.

Bangladesh was so different from Pine Ridge that I wasn't sure why I was there. Bangladesh's population density averaged about 1,800 people per square mile. Ours is about 2 people per square mile. Bangladesh is tropical, ours is dry prairie land, not suited to farming for the most part. There are many markets for almost any microenterprise a person could start in Bangladesh, but at Pine Ridge the markets are limited because of the small size of our communities and the distance between communities. But as I began to travel with Grameen staff through rural Bangladesh, I started to see...how the lives of many women had changed drastically in what seemed a short time....[I]t began to dawn on me that there was more involved in peer group lending than developing the economy. It was changing the lives of people in poverty; people who had lived years of oppression, who had no confidence in themselves, people who had lived hopeless lives.

Because of that experience we now have a peer group lending model that we call the Circle Banking Project. It is very similar to Grameen Bank in structure. It has been accepted very well here....Many come into the project because of their need for money. What we give them is much more. Through our orientation and on-going training we help them to build their self-esteem, their confidence, their ability to work in groups and solve problems. And as an added benefit, they have a means with which to increase their incomes and raise standard of living.

For us group lending has gotten off to a slow start though, because of the severe effects of welfare and charity, colonialism and oppression. It has taken a couple of years for us to learn how to deliver it to our people. We are beginning to see results now with stronger borrowing groups who are more committed to solving their problems and making their groups successful.... We have made over $16,000 in loans, most of which were under $400, to about 35 circle members. We have formed 12 circles since we started, and have lost half of them....

Our experiences with peer group lending have shown us that there is hope for economic and social change here because of our efforts to adapt what Grameen Bank has started. We now work for social and economic justice with the hope that one day our Lakota people will be truly sovereign once again. ❑

Educators Exchange

Videos...

Banking on Life & Debt 1995. 30 min. $14.95. Maryknoll World Productions, P.O. Box 308, Maryknoll, NY 10545-0308; tel. 1-800-227-8523. Theme: The worsening plight of poor people in Ghana, Brazil, and the Philippines illuminates the harshness of structural adjustment terms imposed by the World Bank and International Monetary Fund on indebted third world governments.

Community 1995. 20 min. Free. Oxfam America, 26 West St., Boston, MA 02111-1206; tel. 617-482-1211. Theme: Dramatizes the alleviation of women's oppression in a Bangladesh village through a microenterprise development program.

Eye of the Storm: Hunger and the Land in Honduras 1993. 30 min. Free loan up to 30 days; $11.95 to purchase, postpaid. CARE Donor Services Department, 151 Ellis St., Atlanta, GA 30303; 404-681-2552, extension 334. Theme: Traces deforestation, poverty and hunger in Honduras back to the earliest roots as example of similar problems throughout the developing regions.

Haiti: Children at the Crossroads 1995. U.S. Committee for UNICEF, 333 East 38th St., New York, NY 10016; tel. 212-922-2607. Theme: What Haitians are doing for their children and themselves (with UNICEF's help) as they attempt to transform one of the world's poorest countries into a healthy, independent and democratic state.

Where are the Beans? 1995. 13 min. Free loan. Distributor: Regional offices of the Mennonite Central Committee or MCC headquarters, Box 500, Akron, PA 17501. Tel. 717-859-1151. Theme: The plight of small farmers in Honduras, robbed of the fruits of their labor by factors beyond their control, highlights problematic consequences of international economic policies.

(Continued page 31)

Suggestions for Further Microenterprise Reading

Dana Ireland

Dana Ireland is an Academy for Educational Development consultant in Research and Reference Services, Center for Development Information and Evaluation, USAID. She began her involvement with microlending institutions and microentreprenuers as Women-in-Development Director for World Relief in 1985 in West Africa.

(Information for contacting the distributors to these resources is found at the end of the bibliography.)

J.E. Austin Associates, Inc. **Policy constraints affecting small and microenterprises.** Cambridge, MA: J. E. Austin Associates, Inc., 1994. Order from USAID Development Information Services Clearinghouse (USAID/ DISC). 48 pp. $7.28. — Reports on the results of the surveys of a total of 3,833 formal and informal sector firms conducted in 13 sub-Saharan African countries since 1988 by the "Manual for Action in the Private Sector" (MAPS) project of USAID. Part Two presents a profile of small businesses in sub-Saharan Africa. Part Three discusses constraints to business efficiency identified by MAPS participants, e.g. taxation, adverse government policies, lack of access to start-up or working capital, unenforced contracts, and insecure land tenure. Part Four identifies policy reforms needed to rectify the constraints.

Brugger, Ernst A., Jane Nelson, and Lloyd Timberlake. **The Cutting Edge: Small Business and Progress.** Cambridge, MA: ACCION International, 1994. 170 pp. $30. — A bilingual (English and Spanish) "coffee-table" book of black-and-white photographs and text on small business and microenterprise as an engine for economic development. Portrays the realities of small business in today's economic systems in simple, straightforward terms. Suggests how the system could be made more conducive to the growth of such small enterprises.

Castello, Carlos; Katherine Stearns; and Robert Peck Christen. **Exposing interest rates: their true significance for microentrepreneurs and credit programs.** ACCION International Discussion Paper Series, No. 6. Cambridge, MA: ACCION International, 1991. 46 pp. $6.00.

Christen, Robert Peck. **What microenterprise credit programs can learn from the moneylenders.** ACCION International Discussion Paper Series, No. 4, revised edition. Cambridge, MA: ACCION Inter-national, 1992. 32 pages. $6.00. — Christen argues that the moneylender, although perceived as an exploitative source of credit among the smallest businesses, nevertheless provides useful lessons that are applicable to microenterprise programs. The discussion focuses on financial and economic factors in informal lending that lower the costs of borrowing for the microentrepreneur and result in greater income for the lender. Specific areas in which credit programs can learn from moneylenders are: cost structure; borrower selection; and collection mechanisms.

Clark, Peggy, and Tracy Huston. **Assisting the Smallest Businesses: Assessing Microenterprise Development as a Strategy for Boosting Poor Communities.** Washington, D.C.: Aspen Institute, 1993. 32pp. $5. — This interim report of the Aspen Institute's Self-Employment Learning Project analyzes information from interviews with 302 microentrepreneurs about their microbusinesses and assesses microenterprise assistance in relation to its ability to create businesses, create and stablize jobs, and boost poor communities.

Clark, Peggy, and Amy Kays. **Enabling Entrepreneurship: Microenterprise Development in the United States.** Washington, D.C.: The Aspen Institute, 1995. 42pp. $18. — This Baseline Year Report of the Self-Employment Learning Project, Aspen Institute's 5-year study of microenterprise, microentrepreneurs, and microenterprise assistance programs in the United States, analyzes data from in-depth interviews with 405 entrepreneurs during 1992.

Hunger Notes, **"Development That Works: Fresh Look at an Age-Old Endeavor,** (April-May 1988). Washington, D.C.: World Hunger Education Service, 1988. 28pp. $5.00 (out of print; available in photocopy). — Surveys potentials and pitfalls of microenterprise development as a strategy to combat poverty and unemployment. Contributors include Paula M. Hirschoff; Dr. Muhammad Yunus, David C. Richards and other microenterprise assistance practitioners testifying before the Select Committee on Hunger, U.S. House of Representatives (1987); International Labour Organization research on the informal sector; USAID's ARIES and PISCES microenterprise research projects; the Self-Employed Women's Association; Women's World Banking; United Nations Development Fund for Women (UNIFEM); and the International Fund for Agricultural Development.

King, Mark, and Charles Waterfield. **Management systems for microenterprise development programs: Tools for microenterprise programs — nonfinancial assistance section.** Bethesda, MD: Development Alternatives Inc., 1995. 65 pp. $8.50.

Malhotra, Mohini. **'Poverty lending' and microenterprise development: A clarification of the issues.** GEMINI Working Paper, No. 30. Bethesda,MD: Dvelopment Alterna-tives, 1992. 36 pp. $4.50. — This is an attempt to demystify the issues in the controversy surrounding poverty lending as an approach to microenterprise development and to clarify rather than resolve poverty lending issues. In this light it explores the poverty lending approach in microenterprise development and the financial systems approach, i.e., meeting the financial needs of the poor through development of viable financial institutions and through the incorporation

Resources

of microenterprise lending into the wider context of an improved financial system.

Otero, Maria, and Elisabeth Rhyne, eds. **New world of microenterprise finance: Building healthy financial institutions for the poor.** West Hartford, CT.: Kumarian Press, 1994. ISBN: 1-56549-030-4. 318 pp. $26.95. — This book describes the characteristics of successful programs and points out future directions for microenterprise finance. The six chapters in Part I discuss key elements and principles of microenterprise finance institutions based on a financial systems approach, including savings mobilization, financial market regulation and supervision, appropriate institutional structure, microenterprise assistance NGOs in the role of financial intermediation, and evaluation from the perspective of quality of services and capacity to achieve scale and self-sufficiency rather than impact upon beneficiaries. The four chapters in Part II examine leading methodologies for microenterprise finance: solidarity group lending, credit unions, village banking, and transformation lending. Part III presents case studies of four successful microenterprise finance institutions.

Reed, Larry, and David Befus. **Transformation lending: helping microenterprises become small businesses.** Bethesda, MD: Development Alternatives, Inc. 1993. 48 pp. $6.00. — This paper examines how small enterprise credit institutions can support the transformation of micro-enterprises into small enterprises. Examines the needs of enterprises undergoing this transformation. With changes in markets, personnel, production, and source of supply, and then reviews five lending institutions that provide loans (and in some cases training) to support microenterprise transformation, analyzing their program design, lending methodology, financial performance, and impact. Finally, the paper summarizes the key lessons that come out of this review and suggests areas where additional research could help credit institutions develop programs aimed at encouraging the growth and transformation of microenterprises.

Rhyne, Elisabeth, and Linda S. Rotblatt. **What makes them tick? Exploring the anatomy of major microenterprise finance organizations.** ACCION International Monograph Series, No. 9. Cambridge, MA: ACCION International, 1994. 117 pp. $12.00.

Self-Employment Learning Project. **1994 Directory of U.S. Microenterprise Programs.** Washington, D.C.: Aspen Institute, 1995. 338 pp. $15.00. — Describes 195 organizations providing assistance to microenterprise and documents the scope and characteristics of the microenterprise field in the United States.

Stearns, Katherine E. **Hidden beast: Delinquency in microenterprise credit programs.** Cambridge, MA: ACCION International, 1991. 56 pages. $6.00.

Waterfield, Charles. **Designing for financial viability of microenterprise programs: Tools for microenterprise programs — financial assistance section.** Lancaster, PA: Mennonite Economic Development Associates, 1993. 66 pp. U.S.$5.00. — Designing microenterprise development programs for financial self-sufficiency requires the ability to project the financial viability of a micro-credit program. This technical paper presents a simple planning model which is appropriate for initial program design as well as for analyzing proposed shifts in program methodology, fee structures, loan sizes and terms. Part I introduces the model and "walks the reader" through a series of tables to determine a program's projected income. Part II applies the model to four programs. Although the model has been purposefully simplified to make a computer unnecessary, using a computerized spreadsheet gives the most useful results. Appendices include suggestions for adapting the model to more complex situations.

World Council of Credit Unions. **Credit unions and microenterprises: the WOCCU perspective.** Bethesda, MD: Development Alternatives, 1993. 40 pp. $5.50.

Distributors:

Accion International Publications, 120 Beacon Street, Cambridge, MA 02143; tel. 617-492-4930; fax 617-876-9509. **Aspen Institute Publications,** P.O. Box 222, Quenstown, MD 21658; tel. 410-820-5326; fax 410-827-9174. **Development Alternatives Inc., DAI/GEMINI Publications,** 7250 Woodmont Avenue, Bethesda, MD 20814; tel. 301-718-8699. **Development Information Services Clearinghouse (USAID/DISC),** 1611 North Kent St., Room 200, Arlington, VA 22209-2111; tel. 703-351-4006; fax 703-351-4039; Internet e-mail:docorder@discmhs.compuserve.com. (Do not send payment to USAID/DISC, an invoice will be include postage and handling.) **Kumarian Press,** 630 Oakwood Ave., Suite 119, West Hartford, CT 06110-1529; tel. 1-800-289-2664. **MEDA Publications,** 155 Frobisher Drive, Suite I-106, Waterloo, Ontario N2V 2E1, Canada. **World Hunger Education, Service,** P.O. Box 29056, Washington, D.C. 20017; tel. 202-298-9503. ❑

Microenterprise Focal Points in Selected Donor Institutions

Julie Kimbrough

Julie Kimbrough is NGO Liaison for the International Fund for Agricultural Development in Washington, D.C.

Consultative Group to Assist the Poorest (CGAP) Direct inquiries to Ms. Mohini Malhotra, Operations Manager. Telephone 202-473-9594. Fax 202-522-3744. E-mail: cproject@world bank.org. Postal address:

CGAP Secretariat
The World Bank
1818 H Street, NW
Washington, D.C. 20433.

Resources

African Development Bank (AfDB) Direct inquiries to Mr. Lual A. Deng, Chief, Environment and Social Policy Division. Telephone 225-20-44-44. Fax 225-21-77-53. Postal address:

African Development Bank
B.P. 01-1387
Abidjan, Cote d'Ivoire.

Asian Development Bank (ADB) In North America, direct inquiries to Mr. Arun Adarkar, Director, North American Representative Office. Telephone: 202-347-0878. Postal address:

ADB
1730 Pennsylvania Ave., NW,
Suite 975
Washington, D.C. 20006.

In Asia, direct inquiries to: 1) Mr. Dinh Xuan Vinh, Director of Agriculture and Social Sector Dept (East Division); telephone (632)-632-690; fax (632)-636-2400. Or (2) Mr. Eustace A. Nois, Director of Agriculture and Social Sector Dept. (West Division); telephone 632-636-6781; fax 632-636-2186. Postal address:

ADB
#6 ADB Ave. Mandoluyong City
0461 MetroManila, Philippines

or

P.O.Box 789-0980
Manila, Philippines.

Inter-American Development Bank (IDB) Direct inquiries to Mr. Bernard Guillamon, Microenterprise Unit. Telephone 202-623-1541. Fax 202-623-1463. Postal address:

IDB
1300 New York Ave. NW
Washington, D.C. 20577.

Inter-American Foundation (IAF) Inter-American Foundation is a public corporation established by the U.S. Congress to make development assistance grants to local organizations for poor people's self-help in Latin America and the Caribbean. No one person deals with microenterprise. Direct inquiries to: (1) Mr. Wilbur Wright, Central America Region; telephone 703-841 3836. Or (2) Mr. Steve Pierce, Foundation Represen-tative for Columbia and Venezuela; telephone 703-841-3843; fax 703-525-9315. Postal address:

IAF
901 North Stuart St., 10th floor
Arlington, VA 22203.

International Fund for Agricultural Development (IFAD) Direct inquiries to Mr. Shiv Nath Saigal, Director, Technical Advisory Division in Rome. Telephone 396-54591. Fax 396-5043463. Postal address:

IFAD
Via del Serafico 107
00142 Rome, Italy

International Labour Office (ILO) Direct inquiries to Mr. Moise Allal, Microenterprise and Informal Sector Division in Geneva. Telephone 41-22-799-64-20. Fax 41-22-799-79-78. Postal address:

ILO
4, ruet des Morillons
CH-1211 Geneve 22, Switzerland.

Peace Corps Direct inquiries to Mr. Howard Anderson, Director, Office of Training & Project Support. Telephone 202-606-3890. Postal address:

Peace Corps
1990 K Street NW, 8th floor
Washington, D.C 20526.

United Nations Capital Development Fund (UNCDF) Direct inquiries to Mr. Poul Grosen, Executive Secretary. Telephone: 212-906-6118. Fax 212-906-6929. Postal address:

UNCDF
1 U.N. Plaza, #DC2-2601
New York, NY 10017

United Nations Development Programme (UNDP) Direct inquiries to Mr. Jose Garson. Telephone 212-906-6234. Fax 212-906-6929 or 906-6479.

Postal address:
UNCDF/UNDP
1 U.N.Plaza, #DC2-2629
New York, NY 10017

United Nations Childrens Fund (UNICEF) Direct inquiries to Mr. Jan Vandermoortele, Office of Social Policy and Economic Analysis. Telephone 212-326-7121. Fax 212-326-7266. Postal address:

UNICEF
3 U.N. Plaza, H2K
New York, NY 10017.

U.S. Agency for International Development (USAID) Direct inquiries to Ms. Elizabeth Rhyne, Director, Office of Microenterprise Development. Telephone 202-663-2360. Postal address:

USAID
300 SA-2 State Dept. Bldg.
320 21st. Street NW
Washington, D.C. 20523.

(continued from p.age 28)

Educators Exchange... Periodicals

Hunger TeachNet Quarterly publication of the Interfaith Hunger Appeal Office on Education Free. Interfaith Hunger Appeal, 475 Riverside Drive, Ste. 1630, New York, NY 10015-0079. Audience: College and university instructors.

Ideas and Information about Development Education Quarterly, $12. International Development Conference, 1875 Connecticut Ave. NW, Washington, DC 20009-5728; tel. 202-884-8580; fax 202-884-8499. Audience: Formal and nonformal educators at many levels.

Third World Resources: A Quarterly Review of Resources from & about the Third World Subscriptions: $35 in U.S. & Canada (institutions one year/individuals two years); $45/50 in other countries. Third World Resources, 464 19 St., Oakland, CA 94612-2297; tel. 510-835-4692; fax 510-835-3017; e-mail: datacenter@igc.apc.org. Audience: General. ❑

The Associates

World Hunger Education Service Associates are linked to the issues of hunger and poverty through compassion and convictions about right and wrong, justice and stewardship, the good society, and what it means to be truly human. Many connect also through their work. All of them seek sustainable solution. Toward that end, they value insightful inquiry, reliable information, critical analysis, tested experience, and broad perspective. Together, their annual commitment makes *Hunger Notes* possible.

This *Hunger Notes* bears greetings from two Associates in the province of Sichuan, a thousand miles from the Chinese coast, where Elena Speidel workes in the U.S. Consulate in Chengdu, and Bill Speidel will soon start his fourth year as Country Director for Peace Corps' pioneer project in China. *U.S.* - Chinese conficts apparently don't affect Peace Corps' work at the local level; in the provinces, "The mountains are high and the emperor is far away".

Bill writes: "*Our program has begun on a small scale with 14-18 instructors so far who are helping to train English teachers for junior middle schools in the more remote areas of Sichuan. In a very modest way, this program is contributing to [China's] effort to increase the number of school children who complete nine years of education from today's 18% to 85% within five years....Working with the Volunteers, who manage to maintain their good cheer and dedication in simple surroundings and under trying circumstances, has been inspiring. Just as encouraging has been the cooperation from our provincial education counterparts.*" Below, Elena Speidel invites us to ponder Chengdu's "development". —plk

Along Ren Min Road

Elena Speidel

We can only speculate on how changed Chengdu will be two years from now, but after 30 months I have developed a grudging affection for this gray, teeming city. To put how teeming in perspective, compare Chengdu's population density, 94,000 per square mile, with New York City's 11,000 per square mile.

On a Sunday afternoon recently, Bill and I walked through some of these thousands, heading north from the American Consulate where we reside towards the center of the city, up the wide, tree-lined, checkerboard sidewalk along Ren Min Road, the main thoroughfare bifurcating the city. To our left, an endless stream of bicycles, bicycle-carts, and human-pulled contraptions whirred by in a traffic lane just for them. Beyond, four lanes of red taxis, cars, busses of every size and description, motorcycles, dump trucks, cement mixers — you name it — all honk-honking as usual and going pell-mell to wherever as fast as they possibly could. You take your life into your hands crossing this main part of the road, even at intersections with traffic lights. (These are only partially heeded.) We planned to cross at an underpass.

In ten minutes we came to a tea garden, a pleasant scene. Mostly old men sitting in small groups around rough-hewn tables, caged birds they had brought along hanging and singing merrily in trees overhead. The men sipped tea or played board games while chatting away. Their voices, the cacophony of birds, and the din of traffic made conversation impossible for several moments as we passed.

Suddenly we were brought up short by the screeching of brakes and the terrible sound of car hitting body. We cringed then dared to look. A young woman with no visible injury was picking herself up slowly at the side of the road. Back about twenty feet was a taxi, windshield a gaping hole, shattered glass spread out in front. Immediately swarms of people moved in to gawk and, we trust, to provide for the poor woman, blocking our view of the whole unhappy picture. We moved on, sobered, wondering how many of these accidents it will take before some order comes to the traffic in Chengdu.

Reaching the bridge over the Jinjiang (Brocade River) which marks the beginning of the hotel and department store area, we took in the sights along the walkway — student tutors using their bicycles as props for advertisements and themselves; soothsayers; shoe-shine men and women; hawkers of handmade shuttlecocks, cloth shoe-soles, bungie cords, and live turtles (among other things); old men selling chances to shoot at balloons tied to a string stretched taut down to the river.

We passed the venerable Jinjiang Hotel. It has just had a million-dollar face lift in order to compete with the newly opened four-star Dynasty Hotel and a luxury Sheraton in the making. A few more blocks and we came to People's Park, an oasis of shrub-lined paths and lovely gardens in the heart of the city. This day People's Park was the scene of the Fifth Annual National Chrysanthemum Display and it was packed. Cities and provinces all over China had on display their most prized flowers and shapes teased from carefully nurtured plants. We saw larger-than-life purple peacocks, yellow dragons and temple dogs, towering cone-shaped trees, huge umbrellas, and "flowerfalls" (our favorite), all brilliantly in flower. The trick is to create each of these from one plant only (without killing the plant). We wondered how many years this takes and how many hours of extraordinary care.

For a while we watched the candy-lady create fancy birds-on-a-stick with hot sugar syrup on a marble slab, and the rice-dough man fashion more birds, his nimble fingers rolling and sculpting feathers, beak, and eyes in green, red and black rice-dough. Extricating ourselves from the crowd then, we headed for the department stores. First stop, the twice-built People's Department Store (burned in the 1989 riots) to drop off rolls of film and peruse the shelves of the food section. We had to worm our way through a mob at two big attractions in the atrium: a home audio center display with speakers booming, and a women's make-up demonstration. (The New China!)

Getting weary, we stopped next for an energy boost of ice cream and coffee at Chengdu's first American franchise, Kentucky Fried Chicken, open now for about a year. Then on to two other stores opened in the past year, the Pacific and Parksons. The Chinese complain that prices in these are outrageously high and so they are, but still the aisles are packed with people who are buying. Some "new finds" among all food departments we visited: Ziplock plastic bags, Johnson Toilet Duck cleaner, Tide laundry soap, Keebler sandwich cookies, Klim low-fat milk powder, Great Lakes apple and orange juice, California dried prunes, lots of UHT milk, fresh New Zealand butter, and frozen rabbit. Not black-market fallout. Almost all are produced here in China in joint-venture projects. In a matter of months, store shelves and whole stores have gone from half-empty to bulging with wares.

Deliberating on supper back at the Jinjiang Hotel, we chose spicy tofu, crispy green beans, chicken with veggies and cashews, and hot white rice, just sticky enough. (Is this not paradise?) Then we loaded ourselves gratefully into one of those red taxis for a well-earned ride home.

Letters are welcome. Allow two weeks for mail delivery:
Elena and Bill Speidel
Peace Corps China (Chengdu)
PSC 461, Box 85
FPO AP 96521.

The 1995 Associates invite you to join them in 1996.

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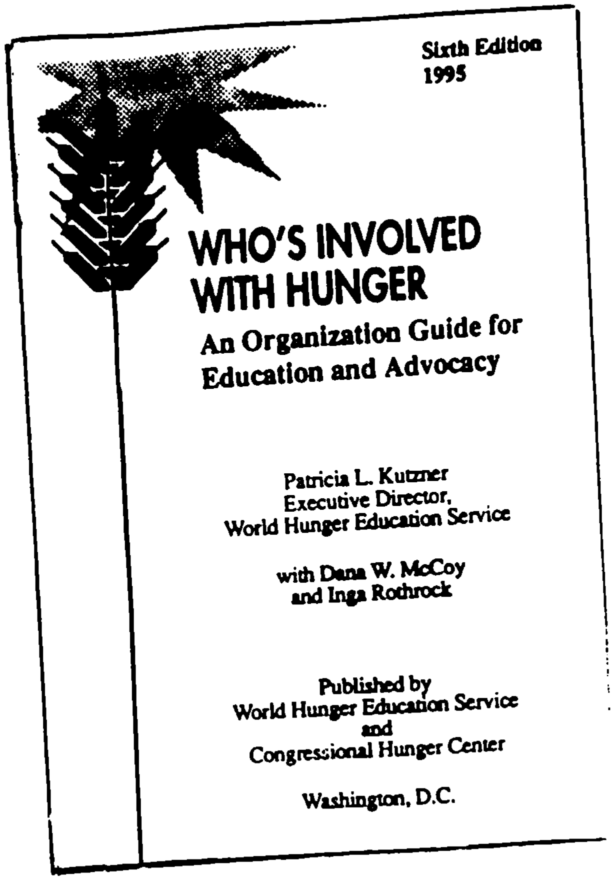
Sixth Edition
1995

WHO'S INVOLVED WITH HUNGER
An Organization Guide for Education and Advocacy

Patricia L. Kutzner
Executive Director,
World Hunger Education Service

with Dana W. McCoy
and Inga Rothrock

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____*Hunger Notes* **back issues** (write number of copies wanted by title; $5 each; surface postage outside USA, $1.50, air $3.00): ___ *The Philippines: Which Road to the End of Hunger?* (summer 1992); ___ *Urban Food Production: Neglected Resource for Food and Jobs* (fall 1992; photocopy only) ; ___ *Defeating Poverty and Hunger: Grassroots Action in South India* (winter-spring 1993); ___ *Re-Thinking Poverty [everywhere]* (summer 1993); ___ *Can We End Poverty USA?* (fall 1993); ___ *Population and Food Security* (winter 1994);___*Population: Broadening the Debate [social justice, religion, status of women]* (spring 1994); ___ *Population: The Special Case of Africa* (summer 1994); ___ *New Books on Hunger, Development, Social Change* (fall 1994, all-review issue); ___ *Sustainable Development, C.E. 2050: Lessons from Kerala* (winter 1995);___*Livelihood Crisis* (spring 1995); ___*Meeting the Challenges of Rural Poverty with IFAD* (summer 1995); ___ *Micro-Enterprise* (fall 1995).
____ ***Who's Involved With Hunger : Organization Guide for Education and Advocacy*, sixth edition 1995** ($12.50 postpaid) **Total Enclosed: U.S.$**______(postal money order or check payable by a U.S. bank).

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