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Division for the Advancement of Women
Department of Economic and Social Affairs

SYNOPSIS

OF A DESK REVIEW ON

REDUCING THE GENDER DIMENSIONS OF POVERTY: MICROFINANCE POLICIES, PROCESSES AND PRACTICE

2001

Introduction

Poverty reduction has become a major focus for development policies and practices, globally and nationally, particularly since structural adjustment programmes and other economic circumstances exacerbated the plight of the poor, increased their numbers and widened the gap between the rich and the poor, globally and within nations. The global conferences of the mid-1990s, particularly the Beijing World Conference on Women and the World Summit on Social Development, stressed poverty reduction as central to sustainable human development. Available statistics agree that women constitute over 90% of the poorest globally. However, existing national and global policies and programs on poverty reduction are yet to make reduction of the gender dimensions of poverty a central focus.

The Desk Review assesses microfinance as a tool for poverty reduction. Special emphasis is placed on analyzing the extent to which micro-finance services and institutions are effective in enhancing the status of women, especially the sustainable livelihoods of the "poorest of the poor". This synopsis is divided into three parts: policy perspectives of microfinance; assessment of past and current initiatives in microfinance at the multi-lateral, bilateral, non-governmental and local levels; and best practices, conclusions and recommendations.

Policy perspectives in microfinance

For the past two decades, but especially since the 1995 World Summit for Social Development placed the eradication of poverty at the center of the global development agenda, concerted efforts have been made by the international community to understand how best to provide microfinance services to the poor and, in the process, create and strengthen microfinance institutions and ensure their financial sustainability.

The Microcredit Summit held in Washington DC in 1997 brought together government representatives, NGOs, practitioners, donors and development agencies from every corner of the globe. In its Declaration, the Summit set the goal of reaching "100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services, by the year 2005." Other objectives of the Microcredit Summit Campaign include building financially self-sufficient institutions which will deliver sustainable financial services to the poor as well as ensure impact of the services.

Major policy and operational hurdles to increased and effective outreach to the poor and access to commercial and sustainable sources of funds at micro and macro levels remain to be surmounted. Policy issues which must be addressed include:

Analysis, definition and measurement of poverty:

Policies on microfinance generally address poverty as an outcome, a state of being measured mainly in economic terms, especially as these affect the state of well being of the poor. There is a strong emphasis in the analysis of poverty, as a prerequisite to relevant policy for its eradication, on material and physical deprivations – lack of income, usually as a result of lack of assets, or limited access to labour markets, social exclusion, and deprivation of opportunities and access to decision-making structures and institutions.

The extension of the definition of poverty by the World Bank from the traditional focus on income and consumption, to include social and psychological deprivation has implications for defining and measuring the gender dimensions of poverty. The Bank's recent shift to poverty reduction strategies emphasizes four major dimensions: lack of opportunities; low capabilities, especially in education, health and nutrition; vulnerability to economic dislocation, deprivation, injustice and natural disasters; and low levels of security indicated by exposure to economic risks and income shocks at national, local, household and individual levels. Since the poor also lack political power and voice, it sees empowerment as a necessary condition for poverty reduction. These characteristics are especially applicable to women in general and to poor women in particular.

The recognition of powerlessness (defined by the World Bank as lack of representation in decision-making) as a contributory factor to poverty has increased the appeal of empowerment policies and processes as mechanisms for eradicating feminized poverty. However, the definition of empowerment by the World Bank focuses on the state institutions and their ability to be accountable and to facilitate an increase in poor people' share of mainstream resources. Many women's NGOs and inter-governmental institutions such as UNIFEM prefer to increase women's mobility and access to credit and sustainable livelihoods by focusing on the individual or groups of actors, rather than on state institutions. Empowerment at the state level needs to be complemented with empowerment at the individual level for maximum results on reduction of the gender dimensions of poverty.

<u>Gender sensitive and measurable indicators:</u>

The integration of qualitative data from participatory self-definition of poverty by the poor with quantitative data from traditional household surveys holds much promise for developing indictors for measuring income poverty. However, there are methodological pitfalls arising from many of the assumptions in the household concept that need to be addressed. For household surveys to be useful for gender analysis of poverty, it is important to include intra-household distribution of power and economic resources. Some cultures value a woman's economic contributions to the household economy and make provisions for her to have access to resources (such as land or other start-up capital) to facilitate the contributions. Other cultures devalue women's contributions and resist efforts to make resources available in the form of loans to women. Within these households, in different cultural contexts, the dynamics of relationship and the distribution of social and economic resources vary considerably. Surveys hardly make these distinctions. Yet, the ability of women to access, use and control loans from microfinance institutions in their own right or to act as conduits for male relations depend on these different attitudes to women. This also determines whether reactions to the empowerment of women from increased access to microfinance resources will lead to increased respect or increased domestic violence.

Increased attention needs to be paid to developing measurable indicators of success. It is also important to monitor the impact of increased empowerment of women and potential incidences of male violence as a possible backlash to successful impact of empowerment programs and the reduction of the power gap between men and women.

<u>The process of impoverishment:</u>

In addition to recognizing differences in the perception of poverty by men and women, and the differences in the way that they relate to labour markets, land tenure arrangements etc., it is important that the processes that produced the state of being – that is the processes of impoverishment – be addressed. Through what social institutional mechanisms (migration, widowhood, divorce), in addition to obvious gender differences in education, employment opportunities and access to assets, do men and women slide into poverty and stay there?

There is also need for careful and context-specific gender analysis of how poverty is created and perpetuated. In other words, an understanding of the economic and social aspects of poverty is as crucial for sustainable eradication of poverty as is an understanding of structural poverty and the related power issues. Understanding the relationship between gender disadvantage and poverty is also crucial for effective and sustainable poverty eradication.

Access for women:

In order to be effective as a tool for poverty reduction, microfinance must address the major obstacles to access by the poor, especially women, to formal institutions of credit and savings.
Women in particular have found financial services provided by the formal banking systems inaccessible, cumbersome and demanding. The skills demanded for filling complex forms, the time, mobility and resources required to make repeated visits to the banks, the high cost of loan applications in terms of formal and informal fees, are some of the constraints that women faced in accessing credit through mainstream banks.

From their perspective, banks wrongly perceived women as credit risks, and have been put off by the small scale and seasonality of women's enterprises as these require only small loans, the administration of which involves high transaction costs for the banks. Additionally, most women cannot not provide the traditional collateral that the banks require nor can many of them enter into contracts. So, "as minors with no legal identity", husbands or brothers are required to sign as guarantors for the women.

Credit as a human right:

Muhammad Yunus of the Grameen Bank and the ILO are among the few that see access to credit as part of the human right of the poor. This analysis, however, needs to be further developed and made part of the policy of microfinance institutions and services. What are the implications of this approach to power relations in societies, especially for the power relations between the poor and the rich at local, national and global levels? Can poverty be eradicated or even reduced without some kind of restructuring and/or redistribution of political, social and economic resources and relationship? Will such a process of redistribution go unchallenged or will it generate its own conflict and a dynamic that will challenge poverty reduction processes?

Labour-intensive growth:

The policy consensus that labour-intensive growth is pro-poor since labour is the most abundant asset of the poor needs to be revisited. Emphasis on labour-intensive growth fails to address women's labour constraints or question the wider policy framework, for instance, the impact on the bodily well being of the poor. Labour saving techniques that reduce drudgery are invaluable for poor women from smallholder households. Feminists' concerns about the care-giving economy, which is critical for the supply, maintenance and the well being of the labour force in the formal sector, have not been reflected in recent poverty reduction policies and agendas. There is need to factor women's role in creating and sustaining human capital, especially their education/training and those of their children, into policy concerns for poverty eradication.

Loan capital from external sources:

Another major policy issue on which there is as yet no consensus is the extent to which credit unions and other savings-based MFIs with rotating or revolving credits should be provided with loan capital from external sources. It is generally argued that the ability of the credit unions to grow through savings was destroyed by the receipt of loan capital as this undermined incentives to raise deposits. It is therefore not appropriate to give grants or loans for capital or basic operational support to credit unions, so the argument goes. It is also argued that this discourages the emergence of effective microfinance institutions and services from the multi-dimensional organization in which it is nestled. The experience from Africa, however, clearly indicates that credit union growth and ability to service members effectively based on their savings alone is too slow. There is no doubt that the unions can use external funds to boost their ability to earn income and build equity.

Sustainability:
The issue of sustainability of microfinance institutions is extremely important. However, the current over-emphasis on sustainability is probably at the expense of other issues of equal importance to the clients that they are structured to empower. Given the rate at which sustainable microfinance institutions are formed, how feasible is the attainment of the goal of reaching 100 million families by 2015, especially in many countries where these institutions do not exist? For instance, In the Middle East and North Africa, only ten of the sixty Microfinance institutions surveyed in 1997 achieved or were close to achieving full sustainability. At least $1.4 billion is needed to reach the region's estimated 4.5 million entrepreneurial poor who require microfinance services.

Also, if, as it is generally argued, clients of microfinance institutions are the measure of success or failures of each program, it is important to make the needs of the entrepreneurial poor the centerpiece of structuring or re-structuring micro-finance institutions. Providing credit and savings services to the poor is one way they can increase returns to their labour and improve their well-being and that of their families. Providing these financial services requires approaches and techniques that are sensitive to women's poverty, their isolation, exclusion and vulnerabilities. Since women and girls constitute the majority of the clients of most microfinance institutions, it is important to consider the constraints and impact through a gender lens.

Control over use of loans:
Inability of female borrowers to control use of their loans is a major problem that has a negative impact on women's livelihood. Even among the beneficiaries of the widely acclaimed Grameen Bank, it has been demonstrated that between 10 and 63% of women beneficiaries had little or no control over the use of their loans. On the other hand, the most successful families were those in which both the husband and the wife were major economic actors in their own right and were working in partnership. To overcome this problem, it is important that the programs of microfinance and micro enterprise institutions are designed and delivered with empowerment and the human rights of women as goals.

From Theory to Practice – assessment of past and current microfinance initiatives

Initiatives at the Multilateral level:
The World Bank, as the lead international player in poverty reduction, supports a broad range of activities for the poor to enable them to develop human capital and to provide safety nets. The focus of the Bank's operations has been largely on poor regions and broad targeting of the poor,

through their governments, to improve productivity, employment and incomes. In 1997, about $4.1 billion – approximately 29% of the Bank's investment lending, was for projects targeting the poor. The World Bank is additionally emerging as an effective knowledge organization on poverty. International perceptions of global poverty and its eradication are strongly influenced by the World Bank's approach. After the dismal failure of its Structural Adjustment Programs that ended up exacerbating poverty, especially for women and youth, the World Bank has paid increasing attention to poverty reduction strategies and methods. It is beginning to address the gender dimensions of poverty. Its definitions and measurement of poverty have shifted from income and consumption to non-economic issues such as lack of political power and voice, extreme vulnerability to ill health, economic dislocation, personal violence and natural disasters. However, the Bank continues to focus its policies at the state rather than at the individual or group level.

The **regional banks** of Africa, Asia and Latin America have placed poverty reduction at the center of operations of their institutions. For the **Inter-American Bank (IDB)**, for instance, micro enterprise development and micro lending are important tools for strengthening the livelihoods of the poor. In its search for the most effective means to address poverty, the IDB continues to sharpen the focus of its lending to support areas that have a proven impact on reducing poverty and now has a greater focus on poverty-reduction than at any time in its history. Lending to the social sector is at an all time high, the range of poverty-reducing initiatives is growing and the Bank has built-in mechanisms to advance the concerns of women, children and indigenous groups in its lending operations.

The IDB has established a five-year program – Micro 2001 – specific goals of which include: a) creating a favorable policy and regulatory environment for micro enterprise; b) building sustainable institutions capable of providing financial and non-financial services needed by micro enterprise; c) improving access of low-income and disadvantaged micro entrepreneurs, especially women and indigenous groups, to credit, savings and business services; and d) serving as a catalyst for expanding the flow of private sector resources for investment in micro enterprise. IDB is committed to invest US$500 million in Micro 2001 in the Latin America and Caribbean region between 1997 and 2001.

Although the policy of the **Asia Development Bank (ADB)** is not as detailed as that of the IDB, it has re-dedicated itself to reducing poverty in Asia and the Pacific. ADB also believes that a region that is free of poverty is an achievable and realistic goal. It recognizes that improvements in the status of women are integral to achieving sustainable development in the region. Reducing poverty and improving the status of women and girls in the region is thus one of the strategic objectives of the Bank. Its projects on poverty are expected to mainstream women's concerns in systematic and consistent ways.

Similarly, the **African Development Bank (AfDB)** has made poverty reduction a central focus of its policies. In reaction to requests of state participants at a recent AfDB policy forum, it established a program, the ADF Microfinance Initiative for Africans (AMINA), on Sept 4, 1997. This takes as its focus the provision of appropriate financial services as an effective means of assisting micro entrepreneurs, especially women. The role of the Bank is to increase the capacity of existing microfinance institutions to deliver a range of financial services to their clients. Its focus is on capacity building, policy dialogue with service providers and donors, donor coordination and information dissemination. AMINA is working with host country governments, the formal financial sector actors and other donors to engage in policy reforms, dialogues, sharing new technologies and common concerns. It is committed to sharing the lessons learnt from these initiatives among African microfinance practitioners. The selection criteria of countries and institutions to support include proven track records on serving significant numbers of the poor, women micro-entrepreneurs and other disadvantaged groups. Groups selected should also offer credit and savings products at market rates in addition to having a sufficient number of appropriately trained staff to handle the operations.

Initiatives at the UN level:

The **International Labour Organization (ILO)** was one of the first organizations to move away from a social welfare approach to addressing gender and poverty issues in favor of a development approach aimed at giving full access to jobs and income-earning opportunities to women as a high priority. ILO recognizes women's ability to initiate and organize change. It adopts a rights-based approach in which the poor, especially women, are seen as active participants who are entitled to the benefits of development. Its approach to fighting poverty focuses on comprehensive capacity building so that women develop the capabilities to exercise their rights to credit and other basic needs. Its gender-sensitive approaches to poverty alleviation focus on providing employment, analyzing the specific situation of women and helping them to organize in groups (such as trade unions) of their choice. Strengthening the organizations is believed to empower the poor, including women, to promote social cohesion, and improve the bargaining power of the poor to compete for improved share of resources. Additionally, effective action to reduce poverty, according to ILO, requires sound macro-economic policies and a global framework for promoting equality of opportunities and treatment between women and men.

The International Fund for Agricultural Development (IFAD) has, since its creation in 1978, focused on reducing rural poverty as mandated by its Charter. It argued in its *Rural Poverty Report 2000-2001*, that if the poverty reduction targets set by the UN Social Summit in Copenhagen are to be achieved, policies for rural poverty reduction must make a large contribution since the rural areas of developing countries contain over three quarters of the world's dollar poor. IFAD also reassessed in this publication the extent and critical nature of rural poverty and its eradication in reducing global poverty, especially in the light of its unique experience since 1978 and the changes in the knowledge about the definition, scale and the nature of rural poverty. This is the basis for its shift to the definition of rural poverty in terms of lack of employment and incomes in contrast to its earlier emphasis on increasing agricultural production through the kinds of inputs that supported its "green revolution".

IFAD has used microcredit as one of its major instruments for poverty eradication. Many of their credit programs have targeted poor rural women as among the most vulnerable segments of the rural poor but whose empowerment has the greatest potential to improve the well-being of the household as a whole. IFAD's poverty eradication programs also need to target women as agents of change who are capable of analyzing their situation and taking action to address the problems. It is probably right in its observation that the projects which target women's income do not work as well within the households, since women-targeted resources often get re-directed to men. It also correctly observes that job and school discrimination, in addition to 'double work day' increase the cost and chronic nature of poverty for women but that extra female income is better for child nutrition than the same extra male income.

The **United Nations Development Fund for Women (UNIFEM)** has consistently used microcredit and adopted an empowerment approach to poverty reduction for women. In the 1980s, UNIFEM focused its operations on assisting groups of to women gain access to credit, training and improved techniques and technologies which they needed to generate more income for their families and themselves. Assistance was given through grants to intermediary organizations such as NGOs or women's ministries. UNIFEM also provided funds as loan guarantees for women against default in loan repayments in its early attempts to reduce the constraints that women faced in accessing credits from mainstream commercial banks. Through advocacy, UNIFEM persuaded banks to provide loans to women. The loan guarantee funds were helpful in convincing commercial banks and other development agencies that women were not credit risks but were capable of managing their loans.

In Africa UNIFEM, in association with UNDP's Special Unit for Technical Co-operation among Developing Countries, has brokered the creation and nurturing of the Microfin Afric, a network of 45 microfinance and micro enterprise organizations and NGOs which deliver credit and savings services in 17 countries of sub-Saharan Africa. The initiative is to address the issue of the limited funds from the international microfinance institutions reaching Africa on the grounds that the continent does not have many credible institutions such as ACCION or the Grameen Bank of Bangladesh, which are able to deliver services to millions of poor clients. African institutions, it is argued, are as yet to meet the financial and organizational self-sufficiency standards set up by the Consultative Group to Assist the Poorest (CGAP). This argument continues to marginalize African MFIs, making it difficult for them to access donor funds. The Microfin Afric network ensured African participation and a voice in global policy-making by participating in drafting the declaration supporting the goals of the international Microcredit Summit.

The United Nations Development Program (UNDP) has developed poverty alleviation programs based on micro enterprise and job creation in many countries of the developing world. Its focus on microfinance as a tool for poverty alleviation was concretized in 1997 with the launching of the Microstart Global Pilot Programme. The purpose of the program is primarily to build a new generation of MFIs that have transparent track records and solid institutional financial performance and have a chance of meeting CGAP's standards for institutional and financial self-sufficiency, as well as sustainability. Microstart is now operational in 20 countries and grants have been approved for sixty-three microfinance institutions.

The rationale of UNDP for its focus on institution building is the need to effectively address the global shortfall in the demand for microfinance services, currently estimated at 500 million households of which only 2 to 5% are being reached by the program. UNDP believes, as do a number of other donors, that the single constraint is not capital, but lack of institutions and human capacity to deliver services. This justifies the need to massively support new institutions as well as strengthen young and promising institutions to scale up activities. The assumption is that each country has a number of microfinance institutions from which UNDP field offices can choose and support the "breakthroughs". There is also less emphasis on the impact of the assumed wider outreach for poverty reduction, especially for women. Indeed there is no effort to systematically target women and girls as agents of change who are differentially impacted on by poverty than men.

Capacity building focuses at the organizational level where technical assistance is delivered by Technical Services Providers (TSPs) who prepare business plans, write grant proposals and provide other technical assistance to enable the "breakthroughs" to become viable and weaned off donors by accessing grants that are additional to those from Microstart. A successful microfinance institution is considered to be one that provides streamlined financial services while minimizing operational costs by charging interest rates that enables it to cover the full cost of the services delivered. It is able to separate other services (such as training) from microfinance services and/or treat these as a separate cost center. Such an institution develops accurate and transparent reporting systems that will strengthen donor and client confidence, enabling it to move rapidly towards self-sufficiency. The Microstart program is overseen by the Special Unit for Microfinance (SUM) that was established by UNDP in 1997.

Initiatives at the National/Local level:

User-owned, group-based, informal financial services such as savings clubs (Mexico); rotating/revolving associations, (most parts of Africa); savings and credit associations (ROSCA); *esusu* or "merry go round" (Ghana, Nigeria, Kenya and Malawi); building societies (Jamaican residents of London); and systems of cooperative services exist for the poor, educated or illiterate, working class or non-working class, artisans and market women in one form or the other in different cultures and countries. These services, established by the poor as acceptable solutions for their self-defined problems, operate on similar principles. Small groups pool savings enabling all members of the group to take turns in accessing the pooled resources as loans, with minimal interests, to meet some of their needs. These include start up capital for small enterprise development in agriculture, trading, processing industries, crafts, payment of fees, repairing, re-modeling or building houses (e.g. the middle class in Bangladesh, Jamaicans in Britain), funeral expenses, marriage or purchase of goods.

Informal, individual-based financial services for profit, include "thrift systems" in which a "thrift collector" collects and records daily deposits from participating market women and artisans for example, in different part of West Africa and Jamaica. The depositor, saves any amount from her daily takings, withdraws from it periodically to meet self-defined needs, but pays for the services of the thrift collector with a negative interest rate on her savings in addition to one days savings in a month that is paid to the collector for his services. This is an indication of the trust in the collector, and the value placed on his financial services as well as the information and advice that he routinely gives to his clients. In contrast, money-lenders and pawnbrokers lend money to clients with very high interest rates to make up seasonal shortages and economic shocks. It has been argued that the extremely high interest rates, sometimes up to 90%, makes up for the high risk involved in lending money.

Initiatives at the NGO level:

Several national and international NGOs have been successful in adapting or enlarging existing informal financial services or creating enlarged networks for improved delivery of financial services for poverty eradication. A number of these successful NGOs have clientele who are 75% to 100% low-income women. The most outstanding of these are the Grameen Bank (clientele of 2.1 million, 75% of which are women); the SEWA Bank of India (with a clientele of over 220,000 all low income women), Rakyat of Indonesia (2.5 million clients and 12 million small savers), Thailand's Bank of Agricultural Cooperation (one million borrowers and three to six million savers, and the People's Credit Funds of Vietnam (200,000 members).

Most of the NGOs highlighted below are run by and for women, although many serve a small percentage of male clients. All adopt participatory and integrated approaches. They incorporate an array of related services, elaborating on what works for women while striving for ownership and commitment of members as well as the sustainability of the institution.

The Self-Employed Women's Association (SEWA) of India established the SEWA Bank as a cooperative. Its goal is to empower self-employed poor women by providing them with access to credit and other financial services so as to reduce their dependence on moneylenders. The institution and its activities are specifically geared to meeting the particular economic management and productive capacity needs of women in India. Its approach to microcredit is participatory. The institution is owned and operated democratically by the borrowers themselves. The system is therefore kept simple and the traditional forms of collateral are replaced by a system of collective responsibility and pressure within a group of peers who are committed to the success and sustainability of the institution.

Within such solidarity groups, it has been possible to develop leadership skills and provide other services such as daycare services; schools; playgrounds; clinics; clean, potable water; fuel-efficient stoves; literacy classes; social security systems and insurance schemes to meet the specific needs of women and girls in the care economy. Although the program provides advice for borrowers and aspiring entrepreneurs, each individual has the freedom and final responsibility to choose the income-generating activity or micro enterprise appropriate to her own circumstance. The program thus stimulates individual creativity while providing space for participatory planning.

The SEWA bank shares a number of characteristics with other successful, gender-sensitive microcredit programs. They tailor their operations to reach women, in their own right, as recipients of microcredit. Since time and physical mobility often pose a major problem for self-employed poor women, SEWA has devised and adopted such schemes as collecting daily savings from their homes or places of business by "savings mobilizers", providing savings boxes and training women in banking procedures in an effort to provide incentives for regular savings. The procedures for reviewing and approving loan applications are kept simple, disbursements of small, short term loans are quick. Incentives are provided to borrowers to save as well as access larger loans after the full repayment of the preceding loan. They can also access leasing loans to finance the purchase of tools or a home in addition to consumption or consumer loans to provide economic security by repaying old debts, redeeming pawned goods from moneylenders and reducing vulnerability to seasonal economic vicissitudes. Interest rates are adequate to cover the cost of operation.

Above all, transparent and honest efforts are made to empower women as clients. They are trained in small enterprise development, management, and in legal rights. They develop confidence to combat domestic violence, and ability to bargain collectively in the market place and to access business information, expertise and advice. They are also trained for democratic participation in decision-making and are increasingly taking on leadership positions. SEWA addresses the sustainability of its programs by charging commercial interest rates and motivating its members to achieve consistently high rate of repayment of loans. It builds a capital fund that generates income to cover part of the health and life insurance premiums for its members. Its members contribute, over a period of seven years, amounts enough to cover costs of the premium, repay the medium-term loan and build a temporary capital fund. In other words, the SEWA Bank as a microfinance institution facilitates an integrated and holistic approach to addressing the problems which women face as a result of their combined role in the productive and care economies, coupled with their subordinate position in a specific cultural milieu.

The Citi Savings and Loans Company Ltd of Ghana focuses mainly on the delivery of microfinance to a predominantly female clientele. It is a unique example of a private limited liability company that has successfully undertaken the integration of gender responsive microfinance institutions and services into a semi-formal banking structure for urban and peri-urban market women, artisans and micro-entrepreneurs in and around Accra, the capital of Ghana. Citi S&L is licensed and supervised by the Central Bank of Ghana as a non-bank financial institution to address the acute problem of financing micro and small-scale entrepreneurs under a law governing non-bank financial institutions (NBFIs). It targets women micro-entrepreneurs and offers financial services to micro and small business individuals who belong to recognized groups, product/trade/market associations and clubs located in the market and other commercial centers. It also lends to traditional 'Susu' rotating credit clubs, NGOs and credit unions. Its women clients are found in many occupations: traditional caterers who sell food in the market, butchers, seamstresses and tailors, carpenters, batik artisans, painters, taxi drivers, small hotel operators, and handicraft workers.

Citi S&L encourages its clients to have two accounts, a current and a savings. Daily earnings are paid into the current account while a portion of their net earnings is paid into the savings account. This provides interest and cushions against unexpected economic downturns or emergencies. The most innovative aspect of CITI S&L is the location of its office inside a major market complex with branches in or near market centers all around Accra where its clients work. In its efforts to remain flexible, it offers extended hours for the convenience of its customers and is open for business up to 8 p.m. every day. These arrangements successfully address many of the constraints women face. These include the small scale of their business, issues of physical mobility, safety of daily earnings, simplified procedures for deposits, withdrawals and access to loans. In response to the interests of its clients in export-oriented activities, it is offering training in packaging and procurement of export licenses and is searching for and advising on additional export markets for clients.

The Country Women's Association of Nigeria (COWAN) exemplifies efforts by African NGOs to draw from the best aspects of traditional microcredit practices and merge these with simplified systems of modern banking in an effort to integrate gender responsive financial services and meet the specific needs of rural women. COWAN's microfinance institution, the African Traditional Responsive Banking (ATRB) seeks to empower poor and rural women economically, socially and politically while emphasizing their ownership of the bank. Its 235,000 members in over 32 states of Nigeria are encouraged to pool their savings and, on the basis of their contribution, become shareholders in the bank. One of the distinguishing features of the ATRB is its community based institutional structure and the involvement of traditional rulers and community leaders in the approval of loans and in encouraging its members' timely re-payment of loans. Also, in addition to individual loans, group loans are made to support village or community-based enterprises such as processing and packaging of agricultural products and cooperatively managed and marketed craft and cottage industries, especially textiles and pottery. ATRB also undertakes training in agriculture; organization and management procedures including fundraising, leadership, and networking. Efforts are now being made to replicate ATRB in the Benin Republic, Ghana, Uganda and a number of other countries.

Grameen Bank

Established and nurtured to maturity by Professor Muhammad Yunus, Grameen Bank has been successful in reaching over 2.5 million clients since 1976. Although not specifically designed with women in mind, almost 90% of its clients are women and several of its essential characteristics meet the needs of poor women. Chief among these are that the programs target not only the poor, but also the poorest among the poor. In most of the twelve countries of Asia where the Grameen Bank methodology has been replicated, there is a high density of poverty and thus a steady and strong demand for credit by the poor. Others women-friendly characteristics of Grameen include: Simple loan procedures administered in the village; small loans repaid weekly and used for income-generation, preferably chosen by the woman herself; collective responsibility, through groups bolstered by compulsory group savings, credit discipline and close supervision through weekly meetings and home visits.

The surge of interest in the Grameen style of credit in the 1980s and 1990s motivated a number of measures aimed at facilitating its institutionalization and replication in different contexts, to meet the demands from donors, academics, governments etc. International Grameen Dialogues were established as a forum for sharing experience and problems from the experience of adapting and replicating the Grameen strategies. CASHPOR (Cash and Savings for the Hard-core Poor) – a network of hands-on Grameen Bank replicators, and the Grameen Trust were also created. Board members vetted applications from the International Dialogues, provided funds to promising projects selected, trained its field staff in the "Grameen Bank essentials" supervised and provided technical support in resolving problems that arose in the process of replication. They also provided resources and training that led to the expansion of viable replications of the Grammen Bank methodology to serve larger numbers of poor households in order to make macro impact on poverty.

Lessons learned

...from informal systems:

The availability of informal credit systems and services provide women and the rural poor with opportunities for and access to savings, which cushion them against economic fluctuations and sustained the economy as they juggled one form of micro enterprise and periodic increases in financial demands of the households. They provide a forum for cooperation, for regular meetings of the groups, who collectively define their socio-economic problems and devise workable and acceptable solutions. The groups have the potential for providing internal references and joint collateral. Loans are small, women are co-owners and are highly visible, often making up to 95% of users of informal services. There is a steady and constant demand for financial services from those of moderate income as well as from the poor. These people, especially, need places to deposit savings without going through any of the hassles and the time consuming processes of mainstream banking system. There is a multiplicity of arrangements for financial services. These co-exist and are often used interchangeably. Most are small scale, highly localized and based on existing relationships in the community. Since both group-based and individual based schemes make use of insider knowledge, emphasis is less on physical assets and more on social collateral. Informal services, as a result, have much lower transaction costs and high re-payment rates, sanctioned by the threat of exclusion from existing social relationships and subsequent access to future loans and savings. It is additionally clear that poor people are capable of saving and servicing their loans. They are thus not the credit risks that they have been wrongly perceived to be by formal banking systems. The fact that these informal services exist in different socio-economic and cultural contexts underscores their flexibility and adaptability. It is, however, questionable whether the poorest of the poor in the community who have little or no asset base, are being included in the groups of people who can be trusted to save and make repayments within a savings-based, user owned facility.

...from UN and other multilateral organizations:

UNIFEM's empowerment approach generated many useful lessons at a number of levels:

At the individual, enterprise and household levels -

- Supply-side assistance for women's enterprise activities tends to be most effective when it includes a combined package of credit, technology and training rather than a single type of assistance.
- Supply-side assistance measures are most effective in the sub-sectors in which women are traditionally involved in large numbers (food processing, textiles, poultry, livestock). A single intervention in these sub-sectors has the potential to impact on very large numbers of women, not just project clients.
- Women's responsibilities in the production and care economy are major constraints on their ability to participate fully in market-oriented activities. Hence, innovative technology, which reduces the drudgery and time invested in those chores, are necessary to reduce the gender dimensions of poverty.

At the meso or institutional level -

- Linking women with suppliers, banks and merchant's equipment is more important than directly supplying inputs and markets to women.
- Capacity building in the fields of information dissemination and policy/advocacy is as necessary as capacity building to provide services.
- Recognizing and documenting women's indigenous skills and knowledge is as important, if not important more than "doing things for" or "delivering things to" women.

At the macro policy level -

- The policy environment presents a range of threats and opportunities for women. These include domestic financial policies (with their effects on access to credit), pricing policies (effect on women's products), science and technology (resources for research and development work and its influence on the needs of poor women), international, regional, and national trade policies (impact on women's farming, manufacturing and trading activities.
- Networking, advocacy, gender training for policy makers, gender analysis, gender-sensitive budgeting, gender disaggregated statistics and policy dialogues are some of the many interventions necessary to change the policy environment.

On the other hand, it is clear that the approach of organizations such as UNDP is more concerned with supporting sole purpose, independent microfinance institutions that are viable and sustainable, according to definitions and expectations of the international donor community, rather than defined by the client community. It is also clear that mainstreaming gender into such operations is of secondary importance. Gender mainstreaming should have been done *ab initio*, given the advanced knowledge of the processes of gender analysis to increase its potential for addressing the special needs and constraints that women and girls face as economic actors. The fact that Microstart, for example, is operational in only twenty countries with grants approved for sixty-three microfinance institutions after three years of operation (1997-2000) is a clear indication of the problems of "finding and feeding breakthroughs".

UNDP's pre-occupation with mainly sole purpose financial services for MFIs as financial intermediaries if they are to be financially self-sufficient and sustainable, is shared by other development agencies. Many International NGOs such as the Save the Children Federation, that operate in the Middle East and North Africa, where many microfinance programs are lodged in larger parent organizations, are being encouraged to spin off the programs from their parent institution in order to achieve full sustainability. The Save the Children's microcredit programs in

Jordan, Lebanon, the West Bank and Gaza have recently been restructured to facilitate the spin off into three MFIs – Jordanian Women's Development society (JWDS), Al Majmoua, and the Palestine for Credit and Development (FATEN).

...from NGOs:

A major problem encountered by some of the Grammen-type replications, in cultures where the economic contributions of women to the family are devalued, was persuading women to use loans for their own income-generating activities, and to make their own decisions about re-investment and use of profits. The program's male staff in these cultures also posed a problem because of their ingrained negative valuation of the economic contributions of women to their households. Staff training and advocacy for an acceptance of the legitimacy of women's economic roles and tough-minded efforts to impose credit discipline on the poor enabled the replicators to eventually change these wrong perceptions. The fact that in Bangladesh alone between 10 and 63% of women did not have control over the use of their loans is an indication of how intractable such problems are.

Replicators have also come up with innovations to address other problems encountered on the ground. For instance, where literacy among women was very low, "motivation folders" have been used to convey the basic principles of the Grameen Bank in symbols and pictures rather than in words. Indicators such as housing index and nutrition index have also been used as part of the serious efforts to identify the poor in a field situation.

Best practices, conclusions and recommendations

Women-friendly practices in microfinance:

What characteristics of microfinance policies and operations have been most effective in bringing about positive changes in the situations and livelihood of poor women? Have such policies and operations indeed reached and impacted on absolutely poor women?

In order to best serve the needs of women, microfinance programs must understand the conditions and constraints under which women operate in the production and care economy of their society. For example, small loans, simple application processes, short term loans and very short turn-around times, and even lower opportunity costs in the loan process are more crucial for women than men. SEWA of India stands out as one of the few who have designed and are operating their programs by incorporating policies and practices that work for women and are thus in a position to influence women's livelihood. As a result of the gender sensitization of ACCION, its programs and staff, the network has created loan products with simplified paperwork and quick service to directly address women's barriers to credit – low literacy, multiplicity of responsibilities, and limited free time. Both the SEWA Bank of India and the Citi Savings and Loan of Accra, Ghana, address women's constraints on physical mobility by using either "savings mobilizers" (SEWA) or by locating the office very close to where most of the women work (CITI Savings and Loans), to facilitate easier collection of savings from the women clients.

Organizations such as ACCION and SEWA, have trained their staff, loan officers, middle and top management decision-makers in gender analysis and established and disseminated regularly updated gender disaggregated data. Many of them, like the Grameen Bank, have played effective roles in changing the way policy makers perceive and understand the fact that empowering women benefits the society, making them healthier, stronger and more prosperous.

In addition, the processes and mechanisms that encourage or discourage women from acting as effective economic actors, independent of their male relatives, (dependence, fear of domestic violence, illiteracy), should be explored and effectively addressed at the same time as savings are mobilized and loans disbursed. Training to motivate the women, updated information, simple structures that are easy to understand and operate (e.g. SEWA), regulations that women assist in drawing up and which they are able to operate, contribute to the empowerment of women to deal with potential backlashes from their successes and power sharing as well as the transformation of their situation and livelihood.

Conclusions and Recommendations:

Policy:

- Focus on microfinance at the micro level alone is not enough to reduce poverty appreciably. Efforts at this level should be complemented with consistent, and religiously executed macro level policies for poverty reduction, legal reforms and more equitable redistribution of productive resources

- There is no need for a trade off between reaching and working with the poorest and institutional financial sufficiency. Many of the microfinance institutions both in Asia and Latin America have demonstrated that both goals can be pursued simultaneously.

- Concerted efforts should be made to increase the scale and outreach of microfinance services in Africa. The successful initiatives in Asia and Latin America provide models which Africans, with the assistance of donors, could adapt to their own circumstances. This is particularly important in view of the role of the informal sector in Africa, the scourge of HIV/AIDS, the devastating impacts of armed conflicts and the rapidly increasing number of the poor as a result of these factors.

- A major challenge is how to produce large-scale microfinance institutions out of the numerous, culture specific institutions that exist in Africa and introduce strategies which enable them to become efficient in accessing additional capital from either the commercial institutions (as ACCION is doing) or from donors, until they are institutionally and financially sustainable. Microfin Afric is a step in the right direction.

- Practitioners and donors need to constantly dialogue on how to achieve the two goals of the Microcredit Summit. It is important also to incorporate the view of the clients in the dialogue.

- It is important that beneficiaries of microcredit loans be prepared to ensure that the credit is used productively and that opportunities for enhanced income-generating or micro enterprise are created. Hence linking microcredit with other interventions such as market opportunities, infrastructure development, etc. that enhance options for income generating opportunities is very important.

- Most of the know-how in microfinance, microcredit and micro enterprise exist in developing countries. External assistance is needed to support, not replace, local initiatives and institutions.

- Local practitioners and the poor should be involved in the decisions to introduce changes for these changes to be successful.

- Although microfinance services hold a lot of promises for reducing poverty, anti-poverty strategies and programs should give equal weight to the impact of macro policy on the poor. National governments should strengthen their political wills and poverty reduction policies. They should place a high priority on the reform of marketing pricing, tax and credit laws and policies to improve poor people's access to productive resources. The international community has a crucial role to play in the helping to create and maintain an enabling environment for the sustained growth of national economies.

Processes and Programs:

- Global and regional networks should organize practitioner training, technical services and build self-regulating systems for adhering to standards and help mobilize funds for institutions that meet the agreed standards.

- Special efforts should be made to reach and impact on female borrowers. Training and recruitment should be designed to ensure gender balance in program staff at field and managerial levels.

- Training capacity needs to be increased at the staff and borrower levels.

- In addition to short term loans, poor women need simple, easily understood operating systems, training and information on their rights as economic and social actors and on investment opportunities. These will enable them to use the loans and opportunities effectively. There is therefore need to integrate microcredit within the broader processes of support for micro enterprise development.

- The challenge of bridging the gap between the commitment of reaching the poorest and the lack of sufficient number of effective poverty measurements and sustainable Microfinance institutions need to be taken seriously and addressed urgently.

- For programs on microfinance to be effective in transforming the livelihood of poor women, strategies and objectives should go beyond an increase in income or material benefits to incorporate increased information about market opportunities, as well as increased bargaining power in the household, community and market place. Women should also be empowered to negotiate changes in legislation, policy and socio-cultural mores and attitudes.

- Lastly, it is important to ensure that the impact on the poor, especially women, is commensurate with the efforts and investment in the microfinance services and institutions. The relationship between gender and power, especially within the household, needs to be addressed to ensure that women have control over the use of the loans, are benefiting from them and are managing the gender gap effectively.