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

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

A Desk Review

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EXECUTIVE SUMMARY

This report reviews the literature on microfinance programmes of the UN, Asia, Africa and Latin America, to analyze the relevance and effectiveness of microfinance as a tool for reducing the gender dimensions of poverty. The literature derives mostly from International development agencies, a bias that results from their major focus on developing and documenting their experiences with microfinance. It also reflects the lag between experimentation and documentation in other parts of the world. Compared with Asia and Latin America, the number of large-scale institutions and the information on African institutions appears to be less well developed.

Characteristics such as small short term loans, secure savings, simple borrower and investment appraisal, alternative arrangements for collateral, high repayment rates, as well as location and timing of services for the convenience of clients, make microfinance effective as a tool for poverty reduction, especially for women clients. However, while over 90% of clients are women, only a few of the agencies, such as SEWA of India, COWAN of Nigeria, CITI S&L of Ghana, ACCION of Latin America, the Grameen Bank of Bangladesh and UNIFEM have made microfinance institutions more effective in addressing the special needs of women. Some of these strategies have been successfully adapted and replicated in other settings. More efforts should be directed at further replications and increased outreach.[1]

Policy support for microfinance as a tool for poverty reduction exists through "norm-setting" global conferences, (particularly the Beijing Conference on Women in 1995, the World Summit for Social Development in Copenhagen in 1995 and the Microcredit Summit in New York 1997), and through regional development banks. However, major policy gaps remain and these need to be addressed.

UN agencies have so far approached poverty reduction by focusing on rural areas (IFAD); or through specific themes (such as ILO's job provision and union organizing); through improving methodologies for analyzing poverty and broadening indicators to include non-economic social factors (World Bank); by focusing on the search for financially sustainable institutions that focus on the single goal of providing loans to clients (UNDP's Microstart); or by institutionalizing gender into the practices of Microfinance institutions to make them better able to provide integrated financial services for women (UNIFEM). To increase synergy, outreach and impact, UN agencies need to dialogue more regularly to agree on common strategies for reducing the gender dimensions of poverty or to replicate successful experiments by UNIFEM.

Recommendations for making Microfinance even more effective as a tool for reducing poverty among women include: addressing the policy gaps identified in the review; concerted efforts, especially at the national level, to develop the political will and effective national policies to increase the scale and outreach of microfinance services for women, particularly in Africa. Practitioners and donors need to dialogue more often on how to achieve the goal of the Microcredit Summit of halving the poor by 2015 through financially sustainable institutions. It is also important to ensure that women use and control loans that they obtain. This can be achieved

[1] Characteristics of effective microfinance institutions are summarized in Table 1.

by monitoring the changing relationship between gender and power as well as monitoring intra-household resource distribution.

The review is presented in nine sections, each with a brief overview. There are two tables, appendices, a list of acronyms and a bibliography

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LIST OF ACRONYMS

ADB	Asian Development Bank
ADF	African Development fund
AFDB	African Development Bank
AMINA	ADF Microfinance Initiative for Africa
BPFA	Beijing Platform for Action
CGAP	Consultative Group to Assist the Poorest
COWAN	Country Women's Association of Nigeria
CITI S&L	Citi Savings and Loans
GDI	Gender Development Index
HDI	Human Development Index
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
ILO	International Labor Organization
JWDS	Jordanian Women's Development Society
MFI	Microfinance Institution
SEWA	Self-Employed Women's Association
TSP	Technical Services Providers
UNECA	United Nations Economic Commission for Africa
UNIFEM	United Nations Development Fund for Women
UNDP	United Nations Development Programme
UN	United Nations
WB	World Bank
WDR	World Development Report
WWB	Women's World Banking
WSSD	World Summit for Social Development

1 INTRODUCTION

This 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". 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 report outlines conceptual and methodological issues before reviewing the literature on microfinance programmes from the UN, Asia, Africa and Latin America, to analyze their relevance and effectiveness as tools for reducing the gender dimensions of poverty. The literature derives mostly from international development agencies, a bias that is probably an indication of their major concern with developing and documenting their experiences with microfinance. It also reflects the lag between experimentation and documentation of the experience of different nations using Microfinance as a tool for poverty reduction. Compared with Asia and Latin America, the number of large-scale institutions and the information on African institutions seems less well developed. The final chapter highlights the recommendations for policy and programmes to strengthen microfinance as a tool for poverty reduction among women and girls.

2 CONCEPTUAL ISSUES: GENDER, POVERTY & FEMINIZATION OF POVERTY

Although the definition and measurement of poverty often determine priorities and approaches to poverty eradication[2] there is no universally accepted definition of poverty. There is also a tendency to treat the poor as a homogenous group whereas one should differentiate between rural and urban poor; different classes of poor women; children, older persons and displaced persons who are poor. These distinctions are critical for meaningful analysis of poverty and programs to eradicate it.

The debate on definitions of poverty and processes for its reduction has evolved as knowledge about the nature, causes and outcomes of poverty increases. Anti-poverty policies and programs, as a result, have had to contend with continually shifting definitions and the divergent aims of anti-poverty programs that have emerged over time and from different agencies. Yet, as UNDP stressed in its *Poverty Report 1998*, "choosing the right tools for the measurement of poverty is critical not only for identifying the poor and the processes of poverty eradication, but also for determining the causes of poverty and predicting the impact of policy dimensions". However, in spite of the increased visibility of gender issues in recent times, gender analysis is yet to be effectively mainstreamed into anti-poverty programs.

The Platform for Action and the Beijing Declaration made the relationship between women and poverty its first priority in identifying the twelve areas of critical concern to women[3]. Drawing largely from feminist analysis of poverty, the PFA stressed policies and structural factors at macro and local levels as the major causes of poverty. Since anti-poverty polices and programs have tended to focus on micro levels and address mainly the outcomes rather than the structural causes and the processes of impoverishment, feminized poverty is on the increase. Feminization of poverty means that the risk of falling into and staying in poverty is greater for women than for men and as a result, the proportion of women among the poor is constantly increasing.[4] The poor are predominantly and increasingly women because of structural factors (macro-economic policies and practices), the subordination of women to men, and the fact that they have to juggle their role in the productive economy with their role in the care economy. The inter-relationship among women's rights, their violation and the increasing feminization of poverty are also stressed. This definition influenced the PFA's calls for action to be taken by governments, non-governmental organizations, specialized financial institutions, private sector, and international agencies, including multilateral and bilateral development cooperations under strategic objective A3, "to provide women with access to savings and credit mechanisms and institutions".[5]

OXFAM attributes poverty to the denial of such basic human rights as adequate nutrition, education, and protection from violence, safe environment, and equal opportunity for participation in decision-making positions.[6] UNDP stresses the multidimensionality of poverty

[2] Esteva 1992; Kankwenda et al 1999
[3] PFA, 1995:37-40
[4] Heyzer, 1995:45-51
[5] PFA, 1995:41-47
[6] Oxfam, 1990: 56; Johnson & Rogaly, 1997: 9-10

which results from a social situation in which individuals are excluded from society's institutions and opportunities (equitable access to productive resources such as credit and land, in addition to resources critical to the development of human capital such as education, health and adequate nutrition). This results in powerlessness, (defined by the World Bank as lack of representation and freedom), isolation, vulnerability to economic fluctuations, and inadequate nutrition.[7] In defining its agenda in *Halving Extreme Poverty, an action strategy for the United Nations,*[8] The poor were identified mainly through emphasis on income poverty and those targeted were those living on less than two dollars day. Its strategies for poverty eradication however, emphasize multi-dimensional issues such as gender, inter-generational transfer of poverty, the feminization of poverty and strengthening the capabilities of the poor to ensure basic social services for all.

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 particularly applicable to women in general and to poor women in particular. The World Bank however, focuses at the macro level in its definition of empowerment as the capacity of poor people to access and influence state institutions, social processes that shape resource allocations as well as prestige and policy choices.[9]

In its most recent publication, *World Development Report 2000, Attacking Poverty*, the World Bank further increased the opportunities of incorporating gender analysis into poverty analysis by expanding the range of indicators of poverty to include those which track access to services, infrastructure, risks, vulnerability, powerlessness, social exclusion and access to social capital. By combining quantitative data from the more traditional household surveys with qualitative data from participatory analysis of poverty that gives the poor a voice in the self-definition of poverty, the *WDR* illustrates the nature of risk and vulnerability: how cultural factors interact to affect poverty, how social exclusion sets limits to peoples' participation in development; and how barriers to participation can be removed.

Incorporating these methodologies and indicators into anti-poverty policies and programs increases the possibility that gender analysis will routinely become part of poverty analysis. This will result in increased attention to reducing the gender dimensions of poverty. Indeed, the World Bank argues that the interaction of market forces, state institutions and civil society can collectively reduce all dimensions of poverty and thus increase poor people's share of societies' prosperity. Global actions need to compliment national and local initiatives to reduce poverty by promoting economic opportunity for the poor. Poverty reduction will also be achieved by seeing poverty through a gender lens since poverty differentially impacts on men and women.[10]

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[7] UNDP: 1995:12-18; UNDP HDR, 1994 &1995: 16-20
[8] UN 2000:1-9
[9] World Bank: 1990, 2000 25-55; Robb, 1999:22-39
[10] Shahra Razari, 1999:473-482

Additionally, facilitating the empowerment of the poor, making state institutions more responsive to the poor, removing social barriers that exclude women and other socially disadvantaged, ensuring security by managing economy-wide shocks to reduce the vulnerability of poor people, are other ways in which poverty reduction can be achieved.

The different approaches to the analysis of poverty notwithstanding, the international community has reached a consensus that poverty is multi-dimensional and that the poor are predominantly women. However, there is no corresponding consistency in articulating the goals of anti-poverty programs. The norm-setting global summits of the 1990s, especially the Fourth World Conference on Women and the Copenhagen World Social Summit were unanimous in stressing the eradication of poverty. At the latter, over 117 Heads of State and representatives from 186 countries made a commitment to eradicate poverty by the year 2020. This was subsequently elaborated in the WSSD Declaration and Plan of Action. The UN General Assembly endorsed the goal set by the WSSD by launching 1997-2006 as the first UN Decade for the Eradication of Poverty[11]. There is also a growing convergence among governments and other key development agencies such as the OECD/DAC, the World Bank and the IMF, that the eradication of extreme poverty should be a major focus of development strategies in the first half of the twenty-first century. All UN agencies have defined their strategies for meeting the deadline for halving the number of people living in extreme poverty by 2015. It is in within this context that the literature on anti-poverty programs now focus largely on microfinance as a tool for poverty reduction.

[11] GA Resolution 50/107 of December 1995

3 MICROFINANCE AS A TOOL FOR POVERTY REDUCTION

Definition and characteristics of microfinance

The international development community has accepted that access to microfinance institutions and services has an effective role to play in poverty reduction. As a result, considerable resources and efforts have been invested on the search for the most sustainable microfinance institutional framework for effective delivery of credit and other services to the poor. Microfinance is defined by Judith Brandsman, Rafika Chaouali (1998: 1), Fruman and Goldberg (1997) and others as providing a wide range of financial services – credit, deposits, and savings – tailored to the needs and situations of the poor who are engaged, or desire to be engaged in micro enterprise so as to increase income and improve their well being. Fruman and Goldberg further define components of microfinance as consisting of

- Small short term loans and secure savings
- Simple borrower and investment appraisal
- Alternative arrangements for collateral, social or other
- Above market interests to cover high transactional costs
- Timely disbursement of subsequent loans after the preceding one had been re-paid
- High repayment rates
- Location and timing of services for the convenience of clients

The Microcredit Summit[12] celebrated microcredit programs, which extend small loans to poor people for self-employment projects that generate income, allowing them to care for themselves and their families.

Microfinance, an answer to women's barriers to credit from formal banking

The major obstacles of access by the poor, especially women, to formal institutions of credit and savings, according to Rutherford (1993), Ardner and Burmans (1995) and others include: resistance from mainstream banks to lending to the poor because of the large number of small loans to borrowers who are wrongly perceived as investments risks; credit packages not suited to the needs of poor borrowers; and insufficient support services and bogged down by bureaucracy.

Women in particular found the 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.

The banks wrongly perceived women as credit risks, and were turned off by the small scale and seasonality of women's enterprises as these required only small loans, the administration of which involved high transaction costs for the banks. Besides, most women could not provide the traditional collateral that the banks required nor could many of them enter into contracts. So, "as minors with no legal identity", husbands or brothers were required to sign as guarantors for the women.

[12] microcreditsummit.org/declaration.htm: 1997:1-51

Attempts were made to address the limitations of formal banking systems or the extortions of moneylenders through highly subsidized credit, administered through such development finance institutions as Agricultural Development Banks. These programs were mainly aimed at poor farmers and did not specifically focus on women. As Adams and Von Pischke (1992), Lipton, (1996), Wiggins and Rogaly (1989) have documented, these experiments at delivering cheap loans failed. Loans were often not repaid and even when they were, the repayment rates were low. Since they depended on governments and international donors to replenish their loan capital, the banks were unable to sustain their lending programs. As a result, credit provision for the poor was limited and transitory. As the model of subsidized credit failed to deliver sustainable credit for the poor and was subjected to a barrage of criticisms in the 1980s and early 1990s, attention was switched to developing market-based sources and institutions

Policy support for microfinance as a tool to enhance the status of women as economic actors

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 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 wide array of approaches to the search for sustainable microfinance institutions and delivery systems reflects the number of development agencies involved in the search for culture and context-specific financial service delivery to the poor. These efforts have increased and have been supported by policy statements and commitments made at the global and other levels.[13]

The Microcredit Summit held in Washington DC in 1997 which brought together government representatives, NGOs, practitioners, donors and development agencies from every corner of the globe[14] further increased support for micro-credit as a tool for eradicating poverty. 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. The Campaign has since organized three Council meetings, as well as regional meetings in Africa, Asia and Latin America in efforts to monitor the progress of its 100 million target. The consensus and the interest in microfinance institutions and services have intensified global efforts at research, outreach programs and documentations of an array of credit delivery systems, micro-finance institutions and the continuing search for the most effective mechanisms and tools for financial service delivery to the poor.

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[13] Chief among the global level norm-setting meetings are the Fourth World Conference on Women (Platform for Action, 1995: para 61-68); the World Summit for Social Development in Copenhagen (1995:p 61-64), and the UN General Assembly Resolution50/107 of 20 December 1995 declaring 1997-2006 the first UN Decade for the Eradication of Poverty. The goal is to eradicate absolute poverty through national action and international cooperation. (A/52/573:23).

[14] www. microcreditsummit.org /declaration. htm; p1-51

A major issue that has been debated in different fora is whether the goal of institutional and financial self-sufficiency and that of reaching the poor are mutually exclusive or can be reached within the same institutional framework. This debate has influenced the search by different agencies for sustainable microfinance institutions. Institutions such as the Grameen Bank, SEWA Bank and the ACCION network, as will be demonstrated below, have shown that both goals can be attained within the same framework. UNDP's Microstart seem to have been established mainly with the goal of attaining self sufficiency and on the assumption that the other goal of reaching the poor, will be taken care of eventually by the NGOs operating the institution.

The report of the UN Secretary-General to the General Assembly on the "Role of Microcredit in the Eradication of Poverty"[15] estimated that there are over 3000 microfinance institutions in the developing countries helping to create deeper and more widespread financial markets and services in their countries.[16] A review of the progress of the Microcredit Summit Campaign in June 2000 established that 1,065 financial institutions are now reaching 13.8 million poorest clients, of which 10.3 million, or 75%, are women This is an increase of over six million from the eight million poorest clients reportedly being reached in 1997 over a period of two years.[17] Although this is impressive progress, much more effort needs to be made to reach the goal of the microcredit campaign.

[15] A/53/223:3-12
[16] A/53/223/p3
[17] Empowering Women with Microcredit, www.microcreditsummit.org/campaigns/report.html: 1-34

4 STRATEGIES AND APPROACHES TO SUSTAINED DELIVERY OF MICROCREDIT

Traditional antecedents of microfinance

Several development agencies that are now involved in efforts to create and sustain credit and savings schemes have gained from an understanding of a wide variety of informal services available to the poor in different cultural and socio-economic contexts. Analysis of the existing informal services has enabled many development agencies to asses the interaction of financial services with the socio-economic structures, the characteristics of the clientele as well as the limitations of the services in order to determine the design of subsequent schemes, or new innovations to the existing systems. Rutherford (1996), Johnson and Rogaly (1997), Ardner (1995), Adams and Fithet (1992), Webster and Fidler and Hulme, among others, have developed a typology and analysis of the types, scope of services, clientele limitations and lessons learnt from informal services in several cultural and socio-economic contexts in different countries.

Informal credit systems: Group-based, user-owned

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 systems: Individual-based, for profit

Informal, individual-based financial services for profit, according to Johnson (1997), 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.

Lessons learned from informal systems

Johnson[18] and many others, have summed up the characteristics and the lessons learnt from an analysis of these informal financial services available. They provide women and the rural poor

[18] 1997 16-34, ILO: 2000: 3-7

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 period 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 informal to formal credit systems

Johnson and Rogaly[19] provide examples of how informal credit systems have evolved into formal systems in different socio-cultural and economic contexts having been adapted by immigrants. Thrift groups, organized by low-income immigrants from the West Indies, Pakistan, and Bangladesh in the UK, for instance, evolved into mutual or friendly societies and, later in the twentieth century, into building societies. They have become the main source of housing finance for the past fifty years. Many civil servants and Teachers Associations in Addis Ababa, Cameroon and other major cities in Africa cushion their families from periodic economic shocks through insurance businesses based on traditional rotating credit systems.[20]

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[19] 1997:22-24

[20] Aredo, 1993: Haggblade, 1978

5 ADAPTATIONS AND PROLIFERATION OF MICROCREDIT INSTITUTIONS: THE ROLE OF NGOs

Several national and international NGOs have been successful in experimenting with adapting existing informal financial services or creating enlarged networks for improved delivery of financial services for poverty eradication. Strategies include enlarging the scales to increase their outreach, making them more sustainable and linking them to formal financial systems, nationally and regionally. UN/OSCAL[21] published fact sheets of over ninety innovations and new paradigms developed by NGOs for improved service delivery in Africa (60), Asia (20 and Latin America (10). There are many more, particularly in Asia, that are reviewed by other authors. Indeed, use of microfinance and microcredit for the eradication of poverty appear to have developed most in Asia. A number of microfinance institutions stand out among the numerous organizations whose clientele are 75% to 100% low-income women. 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).

The Self-Employed Women's Association (SEWA) of India established the SEWA Bank as a cooperative.[22] 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. Its founder, Ella Bhatt, explains that "a regular meeting of the groups facilitates timely re-payment of loans and also plays a crucial role in bringing borrowers together to think through their common problems, agree on common issues, decide common action, and forge common ideologies".

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-

[21] 2000:15-145

[22] www.microcreditsummit.org/declaration.htm:17-20

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.

In contrast, 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, 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 it 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.[23] 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.

This is only a small sample out of the multitude of efforts by NGOs to fight poverty by adapting financial service delivery to address the constraints women face in the productive and care economy in which they are involved, empowering women to be part of the definition and solution of their problems. 49 other NGOs from Africa, 43 from Latin America, and 63 from Asia reported during the Beijing Plus Five review that, in 2000, they were reaching a total of 1.9 million, 439,661 and 3.4 million women respectively in Africa, Latin America and Asia.[24]

The NGOs reviewed above are mostly 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. Since there is still a debate as to whether savings-based organizations should receive supporting grants from governments or donors, many of the microfinance institutions seem to be constrained, by lack of financial and human resources, in their efforts to extend their outreach and increase membership. A sample of institutions run by NGOs which link mainly women clients to the formal banking systems will be analyzed in a later section of this review.

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[23] Ogunleye, 1997: 1-45: OSCAL, 2000:62-63
[24] www.microcreditsummit.org/campagins:28-32

6 INTERNATIONAL DEVELOPMENT AGENCIES AND THE SEARCH FOR SUSTAINABLE MICROFINANCE INSTITUTIONS

Poverty reduction re-emerged as one of the overarching aims of bilateral and multilateral aid and microfinance has been recognized as a tool for poverty eradication since the norm-setting Copenhagen conference in 1995. Most aid agencies have renewed their commitments to fight poverty. World Bank, UNDP, IFAD, ILO, Belgium, Canada, Denmark, the EC, Netherlands, Sweden and the UK have made poverty reduction an overarching strategic goal. However, as is demonstrated below, approaches are as varied as the agencies and their mandates

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. The scourge of HIV/AIDS, the frequency and brutality of civil conflicts, and the rising disparity between the rich and the poor within and between countries have increased the deprivation and injustice for many.

The World Bank increasingly relies on a multidimensional approach for monitoring its poverty reduction efforts. It focuses on factors influencing consumption and on social indicators of poor households and increasingly makes use of both traditional and participatory techniques for analyzing and monitoring outcomes. Since the early 1990s, poverty assessments and program-targeted interventions have been two key elements of the approach.. Poverty assessments introduced by the Bank in 1989 provide a profile and analysis of poverty in a number of countries while PTI is used to track the Bank's poverty-targeted lending. Over 94 assessments have been prepared covering nearly 90% of the world's poor. Increased data and stronger analysis have contributed to the improvements in the quality of poverty assessments while the participatory methods capture the perceptions of poverty by the poor. Partnerships and interaction with other agencies such as UNDP, UNICEF and OECD/DAC greatly contribute to the improvement of the Bank's approach to poverty analysis.

Two of the World Bank's most recent contributions are very likely to result in increased attention to strategies for the reduction of the gender dimensions of poverty. These are its *Participatory Approaches to Poverty Reduction Strategies (2000a)* and the new directions in poverty analysis and measurement (WB 2000b). Its most recent publication, *World Development Report, Attacking Poverty*[25], combined quantitative data from sample household surveys with

[25] World Bank, 2000c

qualitative data from participatory techniques to develop new indicators for tracking risk, vulnerability, social exclusion and access to social capital. These new indicators are critical to the analysis and reduction of the gender dimensions of poverty. Participatory approaches incorporate perceptions of the poor, illustrate the nature of risk and vulnerability, the intersection of cultural factors and ethnicity or racism on poverty, as well as the limitations set by social exclusion on people's participation in the benefits of development. These underscore the importance of empowerment for poverty reduction especially, the gender dimensions.

Empowerment is, however, defined by the Bank in terms of how public services are delivered and how people are involved in their immediate surroundings, especially in relation to public services. This obviously reflects its macro approaches to development and poverty reduction. In contrast, feminist organizations define empowerment from the perspective of the individual. Gender analysis and reduction of gender dimensions of poverty, will definitely gain from the increasing attention of the Bank to gender analysis[26], especially its new emphasis on increasing access of women to education, maternal and child health, to new technology and credit for women.[27] The macro level approaches of the World Bank, however, need to be complemented by the approaches of such agencies as NGOs and other feminist institutions such as UNIFEM.

Until the reform processes at the United Nations provided a framework, the United Nations Development Framework (UNDAF), for collaboration among its various agencies, there was a wide array of poverty reduction strategies and programs developed by each UN agency. Only recently was an effort made to collaboratively develop a framework for halving extreme poverty[28]. Since this framework is yet to be implemented, a review of efforts by the United Nations agencies to reduce poverty, including its gender dimensions, will focus on approaches by a sample of individual agencies.

The International Labor Organization (ILO) was one of the first 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 benefits of development. Its approach to fighting poverty focuses on comprehensive capacity building so that women develop the capabilities to exercise their rights to credits 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[29]. Its most recent publication, *Modular Package on Gender, Poverty and Employment* suggested a number of

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[26] World Bank 2000d
[27] World Bank, 2000b
[28] UN, 2000: 1-45
[29] ILO: 2000:modular 4: 11: 1995; ILS, 1995 vols 1-iii; Gore & Figueriredo, 1997

interrelated Poverty Eradication Packages[30] which will address poverty as a multi-dimensional issue. ILO, by focusing on women in the formal employment sectors and cannot reach the 'poorest of the poor'.

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 in 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". As a result, IFAD now identifies five determinants of rural poverty reduction as:

- Technology, for turning inputs into outputs, and income consumption into well being.
- Assets, physical, human and financial capital available to individuals and to communities.
- Markets and market assess, at local, national, and global levels for labor and other inputs (including, skills, credit, and information) and outputs.
- Institutions and forms of civil society that influence equitable resource allocation, availability and use, especially through poor people's access to local and national governance.
- Food staple production, water and redistribution of land, water, credit, income-based food security, education, market, and employment access and power.

IFAD has used microcredit as one of the major instruments for poverty eradication. Many of its programs have been assessed as having a positive impact on the rising levels of incomes of poor households, health, education and fertility. These enhance the ability of the poor to earn higher incomes in the future[31]. Many of the 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[32]. 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.

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[30] ILO, 2000.modular 4
[31] Mosley and Hume, 1998
[32] Puetz & Webb, IRAP in the Gambia; Goetz Sengupta 1996 on Grameen

Gender sensitization of IFAD, its staff and programs is critical since it has the critical mandate of reducing rural poverty and women and girls constitute over 65% of the rural poor in agricultural and non-agricultural production and processing. This will enhance its ability to target women as agents of change whose empowerment is critical for the systematic and sustainable reduction of the gender dimensions of poverty, for improvements in the well being, participation and economic security of individuals, households and community.

The United Nations Development Fund for Women (UNIFEM) has consistently used microcredit and adopted an empowerment approach to poverty reduction for women. This is in keeping with its mandate by the UN General Assembly resolution, and in response to requests from the women's movement of the 1970s for systemic change that will lead to women's empowerment. UNIFEM focuses on three thematic but interrelated areas – economic empowerment, participation in decision-making women's social, political and economic rights. Its economic empowerment programs are premised on the fact that women living in poverty need access to sustainable livelihoods; and that a combination of factors at the policy, institutional, community, household and individual levels affect women's ability to attain such livelihood.

Consequently, UNIFEM has always targeted these levels in its efforts to promote such sustainable livelihoods 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. The 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. Ghana's program to enhance economic opportunities for women or two projects in Zanzibar and Tanzania which provided direct assistance to either pre-existing or specially organized groups of women, stand out as examples of this approach. 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.

UNIFEM learnt many lessons from this approach[33]:

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

[33] Chen, 1997: 20-24

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.

The lessons learned enabled UNIFEM to streamline its empowerment approach to women's roles in the economic sphere. This implies that the objectives of anti-poverty and other programs must go beyond an increase in income or material benefits to incorporate considerations of control, increased bargaining power and changes in legislation, policy and socio-cultural mores and attitudes. Programs must become more holistic and be better linked with political empowerment; especially stressing the rights of women to enable them to sustain and control the gains from the project. Programs should therefore incorporate activities at all levels – macro, meso and micro – in order to achieve the desired objectives. This method has since 1996 informed UNIFEM's approach to microfinance as a tool for eradicating the gender dimensions of poverty.

New Strategies and Programmes

UNIFEM now supports institution building, strengthening or gender sensitization of existing or newly established organizations and networks which empower women to take control of economic resources, to change the bargaining relationships in the household, community and marketplace and advocate for changes in the economic policies which affect their livelihood. This is in an effort to reach larger numbers of women facing similar threats, constraints and opportunities. Several examples can be cited from the field of microfinance. UNIFEM has also worked in partnership with institutions such as the IDB[34], ACCION International[35], other UN

[34] In Latin America, UNIFEM, in partnership with the Inter American Development Bank (IDB), analyzed the constraints on the ability of women micro entrepreneurs to access credit and financial services. The analysis recommended ways to make the institutions more sensitive to the needs of women micro entrepreneurs.

bodies and on the regional and global[36] levels to implement its programs. This has had the effect of making the partner organizations more gender sensitive while maximizing resource use and ensuring a multi-sectoral approach.

In Asia and Latin America, which have many viable and large microfinance institutions, UNIFEM's innovations have focused on gender mainstreaming the MFI processes and policies as well as setting up of guarantee facilities. It has mainstreamed gender into microfinance institutions in West Asia by supporting the development of the MFI Forum to coordinate credit programmes in the Gaza Strip. The Forum holds regular meetings to raise awareness and increase the capacity at the institutional level about the realities surrounding women's access to microcredit and how these can be captured in realistic and culture-specific gender analysis. The forum also standardizes the procedures and requirements of MFI in order to provide credit to women small and medium enterprise owners. UNIFEM has also supported the setting up of letters of credit facility to facilitate increased access to substantial credit resources and reach thousands of new borrowers. The facility has backed more than 25,000 additional loans totaling over $16,million in six years.

In Africa, UNIFEM, in association with the Special Unit for Technical Co-operation among Developing Countries, of UNDP, 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. This network has its secretariat in Dakar, Senegal. 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

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[35] Since 1973, ACCION International, a pioneer of micro lending in Latin America and the Caribbean, and its affiliates have been working to reduce unemployment and poverty in the Americas by providing small, short-term loans and business training to micro entrepreneurs. By 1990,the Latin America credit institutions affiliated with ACCION International reported that 55% of its credit seekers were women, most of them in the lowest income group. Yet ACCION lacked enough credit facilities and gender sensitivity to support women with finance and business services. A five-year program, Credit for Women in the Informal Sector, was created and supported by UNIFEM and ACCION International. The goal was to mainstream gender into the organization and its network of microfinance institutions in Bolivia, Brazil, Columbia and Guatemala so that they can respond more effectively to the needs of the women entrepreneurs in the informal sector. The program provided stand-by letters of credit to enable NGOs to raise capital locally so as to expand their lending capacity, allowing access to credit for more women. A second component of the project was research and documentation on women entrepreneurs and how they operate their businesses, highlighting the weaknesses and strengths of both. The third component was to build the capacity of intermediary micro lending institutions and NGOs to promote women's entrepreneurial capacity, including gender training for participating organizations. This is to enable them to develop ways of adjusting financial services to increase women's access to services and the implementation of better collection systems for gender-disaggregated information (Ghebre-Medhin & Restrepo, 2000:80-9).

[36] At the global level, UNIFEM has helped to focus the attention of microfinance institutions on women by bringing its national and regional credit experiences to the attention of the international community. It has published a number of training manuals aimed at increasing capacity of microfinance institutions for gender-sensitive and integrated approach to addressing the needs of women and girls in microfinance and enterprise development (UNIFEM 1993, 1995 & 1996). It played a lead role as a co-founder with the Women's World Banking, of the International Coalition on Women and Credit. This coalition played a prominent role at the Beijing Conference in 1995 as well as at the Microcredit Summit in advocating for the special needs of women for microfinance delivery at both meetings. (WWB, 1995)

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. Key personalities of the donor group assert that it "is not a problem of money but a capacity to deliver the services to the clients". 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 goals of the Network include: to give African MFIs a voice and strengthen their bargaining power at the global level, particularly with the goal of the Microcredit Summit of reaching 100 million families, including the women by 2015; promoting women's access to increased financial resources for economic empowerment; highlighting and targeting certain Africa traditional savings and credit experiences and promoting their use for micro-enterprise development. The network also plans to provide its members with relevant and accessible information on funding for women. Periodically, they will assess the impact of credit and savings activities on women and their families.

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 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, with 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 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.

It is clear that UNDP is more concerned with supporting sole purpose, independent microfinance institutions that are viable and sustainable institutions, 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 Microstart 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 is operational in only twenty countries with grants approved for sixty three microfinance institutions after three years of operation (1997-2000) are clear indications of the problems of "finding and feeding breakthroughs". The midterm evaluation of the program[37] amply illustrates the problems, with three case studies in Morocco, Ivory Coast, and the Philippines.

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). In their review of the spin off processes, Rhyne and Donhue[38] catalogue crucial legal, governance, organizational and operational issues such as costs, and the need for proper process management.

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, raise standards of living, create jobs and contribute to economic growth.[39] 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. As Brandsma and Chaouli[40] conclude, developing the microfinance industry in the Middle East and North Africa will require building local capacity, increasing the efficiency and sustainability of programs and engaging the formal financial sector.

[37] Rhyne & Donahue, 1999:9-117
[38] 1999
[39] McNamara & Morse, 1996:100-119, 142-149
[40] 1997:25-37

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 labor 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 on women by analyzing whether

a) women are active participants in the decisions;
b) some women serve only as a front for men's productive activities and channel loans to them;
c) loans are re-directed into household care or consumption rather than into profit yielding businesses;
d) women effectively capitalize loans;
e) power relations in the household are affected by these factors and how, and whether women's increasing involvement in profitable economic activities increase or decease incidence of domestic violence or cooperation and mutual respect.

These are issues of immense concern to women and girls as active participants in the production and the care economy. They are therefore part of the many indicators by which we can measure impact of microfinance on women.

7 MAINSTREAMING MICROFINANCE SERVICES INTO FINANCIAL/BANKING INSTITUTIONS[41]

Village Banking

John Hatch, Scoffed and Lana developed the Village Banking model in the Bolivian Andes in the 1980s and it has been successfully adapted and replicated in over 28 countries (3 in the Middle East, 3 in Asia, 13 in Africa, and 9 in Latin America), through 68 programs.[42] Working with a team of rural leaders, Hatch designed methods to organize informal banks that could use a line of credit from a financial intermediary or formal banks to provide loans to members without collateral. Hatch also established the Foundation for International Community Assistance (FINCA) to expand the village banking services in Latin America. FINCA modified the model tested in Bolivia to make it more responsive to women, especially by making the loans smaller for shorter periods of four months, instead of the original twelve months. This was based on the conviction that these adaptations would make village banking have greater impact on poverty as women bear a disproportionate share of poverty and spend more of their income on the need of their families. The services have, as a result, been so attractive to women that globally women now make up an average of 95% of the membership and have achieved a repayment rate of between 95 and 97%.

Many characteristics make Village Banking attractive to the poor, accounting for its rapid spread and extensive outreach in four continents with measurable impacts. These make it an effective tool for poverty reduction. Its poverty lending programmes target the 'poorest of the productive poor', who are mainly women. Loans are kept small, and loan processing relies on a group mechanism. The central principle is the development of permanent community-owned financial institution to enable the community control its own finances. Savings mobilization is emphasized, perhaps more than other group-lending models. The savings can be invested in local businesses, in community development projects, be lent out to individuals for personal or business purposes, or can be deposited in commercial, interest yielding accounts.

Village banking programs work with groups of 10-60, and have expanded rapidly both in magnitude and coverage. It has also demonstrated its ability to capitalize the bank, a capacity for achieving self-sufficiency, and measurable positive impacts on its clients. Its major challenges include gender-specific issues, particularly important since over 95% of the members are women. It is important that capacity building empowers women to address issues of power, subordination, and discrimination, so that structural and socio-cultural factors embedded within the village do not obstruct women's creative powers to participate effectively in the village economy. The banks need to balance the self-management of the village institutions with the need to ensure accountability and transparency. It is also critical to strengthen the management of the bank to handle increasingly sophisticated investment strategies and management tools. Its growing assets make this particularly important.

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[41] Table I summarizes the characteristics and challenges of successful efforts to directly link microfinance services to quasi-banking or mainstream formal banking institutions in attempts to address the constraints in access and use of these institutions by the poor. Notable examples are; Village banking (Nelson, MkNelly et al 1996:5-76), the Grameen banking system, (Todd, 1996:1-15; 98-123), Accion and its network (Ghebre-Medhin 2000) and the commendable efforts by several NGOs in promoting, (Johnson & Rogaly: 30-34) rather than delivering financial services by linking the poor to mainstream banks directly or indirectly through intermediary financial institutions.

[42] Nelson et al, 1996:5-9

The innovations by the Citi Savings and &Loans in providing integrated financial services to urban and peri-urban market women, and artisans through offices located at their place of work have been described above and summarized in Table I. The innovations by the ACCION network, in collaboration with UNIFEM, in using letters of credit issued by a mainstream bank, to access additional funding from the formal banking system for the benefit of increased loan portfolio of its members have also been described above. The fact that ACCION is now negotiating, through its link with Chase Manhattan of New York and other sources, for corporate bonds for its members, and that many of its affiliates have established banking facilities of their own, are some of the indicators that enable us measure its successes in its link with mainstream banking system and its sustainability over time. All the financial institutions have gained from the gender-sensitization by UNIFEM as well as increased credit portfolio from the letters of credit and corporate bonds arranged by ACCION for its affiliates. However, the affiliates are mainly in Latin America and the Caribbean and its adaptability in other cultural contexts is yet to be tested.

Another model that needs to be highlighted here is the alternative strategy successfully adopted by many NGOs of promoting, instead of providing financial services in order to link their clients to formal banking. In this model, NGOs undertake group mobilization, training and advocating for loans from established financial institutions for the group it seeks to support and empower. A case in point is the NGO, Friends of Women World Banking in India, who have encouraged poor rural women to form self-help groups of 12 to 15 members, as well as establishing and institutionalizing rotating savings and loans associations. FWWB train the groups in the democratic processes of running the new financial institution and helps to link the groups into a federation and often to banks for deposit and increased loan portfolio.

Similarly, OXFAM has assisted the Federation of Thrift and Credit Associations and other savings and loan groups in Hyderabad to link up with existing thrift and credit groups so as to increase their knowledge and sources of deposits and credit. In northern Bangladesh, IFAD has funded GTZ (the technical cooperation arm of the German government) to link a local NGO with four banks in the country. GTZ trains and promotes groups to enable them go to banks for loans. The banks bear the lending risks. So far, 1,800 groups of 10 to 20 members have been trained. Repayment is good and the banks claim that they are making a profit of about 6% on each of the loans whereas they lose on most of their normal business. According to Chaudri, about $1.8 million had been lent up to mid 1995.[43] Although this model has been successful in many countries, including those in West Africa, it has been argued that externally promoted groups may not achieve long-term independence. It has also been questioned whether external funds can be introduced into the operations of the group without destroying their independence.

[43] Johnson, 1997:33

8 TRANSFORMING POOR WOMEN'S LIVELIHOOD: GOOD PRACTICE

The concept "best practice" is questionable, especially in connection of using microfinance as a tool for reducing poverty. We have reviewed many good examples of microfinance institutions and operations that have benefited women. Many have been acknowledged as effectively addressing the constraints that women face in accessing microcredit for micro enterprise development in specific cultural and economic contexts. The essentials of some of them have been replicated successfully after they have been adapted to new specific cultural and economic conditions. So rather than describing "best practices", this segment will focus on what characteristics of microfinance policies and operations have been most effective in bringing about positive changes in the situations and livelihood of poor women and if indeed they have reached and impacted on absolutely poor women. In the process, we will cite many examples of those that have, deliberately or not, adapted their operations in a number of significant ways to effectively address the special needs of women and girls. In the final analysis, given the multidimensionality of poverty, the most crucial conditions for microfinance policies and operations to reach and transform women's lives is to ensure that these address the specific needs, and have worked for women in consistent and sustainable ways. It is also important for women to control the additional income and be able to translate their economic gains for their own benefits as well as those of their families.[44]

Ratcliffe, Vice President of ACCION[45], stressed that policy and practice that enable MFIs and micro enterprise to reach women, especially the poor, must speak the language of women. This goes beyond speaking their dialects. It also means understanding the conditions and constraints under which women operate in the production and care economy of their society. As has been stressed by many practitioners and researchers, this means that contextual and culturally-specific gender analysis must be part of the poverty and policy analyses that precede the development of MFI policies, the design of loan products as well as the application processes. 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 than in male-focused programs. 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.

Those who have been viewed as being in a position to empower and transform women's livelihood 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

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[44] Heyzer, www.microcreditsummit.org/campaigns/-24

[45] www.microcredtisummit.org/newsletter/best5.htm: 1-6

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. Transforming the lives and livelihood of poor women through microfinance institutions is mainly possible if the institutions disburse loans and get repayment for them but also empower women to take control over the loans and their use. They should be discouraged from serving as conduits for their male relatives – husbands, brothers or fathers-in-law. Keeping the loans small and thus unattractive to the men (as in the case of SEWA) is one way of ensuring that the women retain control of the loan. Reinforcing the loan with training in business skills and with regularly updated information on national or regional market opportunities, demands and behavior will enable women to make informed decisions on investing their loans (as in the case of CITI S&L). These additional services increase women's skills and enhance their ability to exercise their rights and responsibilities as economic actors. These in turn strengthen women's confidence in their ability to profitably invest the 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 (see below), 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.[46] 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. 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.

Combining the empowerment approach (the focus of UNIFEM's work and those agencies in collaboration with them), with the rights-based approach (ILO) and gender analysis in policy formulation, project design and implementation are necessary to ensure the transformation of the lives and livelihood of women, especially the productive poor.

We end this section by reviewing the crucial characteristics of the much celebrated Grameen Bank as a microfinance institution which has reached over two million people in Bangladesh alone and which has been replicated or "cloned"[47] in the Philippines, Indonesia, India, Nepal and Vietnam, parts of North Africa and the Middle East. What makes this financial system so viable and attractive for successful replication in areas with different political and economic conditions, in areas with a high density of the poor as well as in areas such as North Africa, and the Middle East, which have less density of poor people? To what extent are poor women being empowered to move out of, rather than to cope with poverty?

[46] http://www.microcreditsummit.org/newsletter/best5htm:4-12
[47] Todd, 1996

Grameen Bank, established and nurtured to maturity by Professor Yunis, 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.[48] 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 are:

> "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. Use is made of both group solidarity and individual enterprise to boost incomes and asset base of poor families...
>
> At the project level, primary and single-minded focus is on credit and savings. This includes rigorous practical training of full-time staff field oriented management, political neutrality, open and transparent conduct of business, setting an interest rate which will cover costs at full operation and aiming for financial viability."[49]

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, supported with funds from the German GTZ 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. Staff skills to motivate poor women to join contributed to the success of these replication programs especially where the project was new or unknown.

A major problem encountered by some of the replications, in cultures where the economic contributions of women to the family were 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 the wrong perception. The fact that in Bangladesh alone between 10 and 63% of women

[48] Todd lists its "essential characteristics,"(1996:1-14:100-123)
[49] Todd, 1996:5-8

did not have control over the use of their loans is an indication of how intractable the 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.

All Grameen Bank replication projects aim at and are evaluated by their ability to move towards financial self-sufficiency. These are measured by the rate and method of expansion, the size of financial service portfolio, the setting of reasonably high market interest rates on loans and deposits. Vertical, rather than horizontal expansion helps create credibility with banks and donors and avoids large injections of subsidies by governments and donors. Project management creates the capacity to reach self-sufficiency in reasonable time by facilitating the formation of new groups in order to bring each branch to cover all its operating costs, ideally targeted at less than twenty cents per dollar disbursed.

Indicators used to measure impact include:

- High repayment rate
- Demand of the poor to join the program
- Respect which women borrowers enjoyed from other members of the household and their ability to participate in the decision-making processes with reference to their loans and profit.
- Gains in the income and ownership of productive assets such as land.
- Improvements in the level of living of the household as measured by the level of food sufficiency, construction and refurbishing of houses and animal sheds.
- Number of children in school.
- A woman's confidence in herself.
- More productive use of borrowers time and/or increase (decrease?) in heavy work burden.
- Willingness of loan recipients to participate in decision- making at the household, village and community levels.

These are also useful indicators of women's empowerment, knowledge of and exercise of their human rights. They are therefore useful indicators of Grameen Bank's version of microfinance to transform women's life and pull them out of poverty.

9 MAIN POLICY ISSUES IN SUSTAINABLE MICROFINANCE

The above review has demonstrated that the microfinance agenda and activities of different agencies are as varied and complex as the cultural contexts and the structural needs to which they are responding. The performance of such outstanding and large MFIs as the Grameen Bank of Bangladesh and others contrast with a multitude of less well-known institutions and networks in Africa, Latin America and Asia. There are also over 300 organizations in the USA alone and dozens of others in developed countries outside the USA, Since poverty was placed at the center of the global agenda over five years ago, and from a conviction that poverty is complex and multidimensional, a broad consensus has emerged in the development community that increased access to microfinance institutions and services is an effective poverty eradication strategy. Consequently, in the past five years at least, concerted efforts have been geared nationally and globally to creating and/or strengthening microfinance institutions, moving them from localized operations that are sometimes nestled within larger parent organizations and are dependent on donor or government subsidized credit delivery systems, to fully sustainable financial intermediaries at global and national levels. This, it is reasoned, will ensure effective and sustainable outreach of microfinance institutions (MFIs) to the poor. The World Social Summit in 1995 established the target of reducing poverty by half – of the number of people that live in abject poverty (3.7 billion live below $2 a day), over 70% of which are women. This is to be achieved through national action and international cooperation.[50] The boost given to the microfinance campaign by other global summits has already been discussed above. These global policy initiatives have also been supported by the regional banks and need to be supported by national policies and political will to end the gender dimensions of poverty.

Policy support from regional banks

This global policy on microcredit has been supported, as has been shown above, by the United Nations, bilateral, multilateral and private development institutions. The regional banks of Africa, Asia and Latin America have also 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. The most compelling task which Latin American societies face is the "imperative of reducing the unacceptably high levels of poverty founded, in large measure, on an unequal distribution of income and assets". 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. According to its Director, "One cannot hope to reduce poverty without creating economic opportunities for those at the bottom of the socioeconomic ladder".[51]

The IDB 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

[50] WSSD Plan of Action, 1995

[51] Iglesias, 1999:1,10-13

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. Thus, 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.[52]

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.[53]

Policy gaps and debates

Major policy and operational hurdles, especially of increased and effective outreach to the poor and access to commercial and sustainable sources of funds at micro and macro levels however, need to be addressed before the desired goal of poverty reduction is reached. In particular, although it has been fully established that poverty has a woman's face and that over 70% of the poor worldwide are women, major institutional and operational issues need to be urgently addressed in a concerted way if the ideal of microfinance as a means of achieving sustainable livelihoods for women is to be reached. There is as yet no consensus on the policies and mechanisms for creating/strengthening MFIs. A full commitment needs to be made to address outcomes of relational and power issues in households and communities since these are central to eradicating gender dimensions 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

[52] www.adb.org

[53] www.afdb.org/about/amina-overview.html

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 labor markets (ILO), social exclusion, and deprivation of opportunities and access to decision-making structures and institutions (World Bank). Policy and development practitioners' preoccupation with the incidence and eradication of income poverty among women and men has resulted in increased use of microfinance as a mechanism for addressing the outcomes of poverty.

In addition to factoring in the differences in the perception of poverty by men and women, and the differences in the way that they relate to labor 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? Shahra Razavi[54] argues that reducing the gender dimensions of poverty means, among others, seeing poverty through gender lens. She highlights some of the obstacles to measuring and analyzing gender differences in poverty, stressing that how gender differentiates the social mechanisms that lead to poverty and how poverty is created and reproduced are critical to the policy for eradicating poverty. Gender analysis of poverty needs to differentiate the social relations and mechanisms leading to poverty and their differential impact on men and women.

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.

The integration of qualitative data from participatory self-definition of poverty by the poor with quantitative data from traditional household surveys hold 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, land other start up capital to facilitate the contributions. Such culture recognizes sub-sets of the household – the hearthold[55] – headed by women and nestled within the household. 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

[54] (1999)
[55] Ekejiuba, 1994: 34-4

respect or increased domestic violence. During an assessment of a project that increased women's access to microcredit loans in Ghana, men showed greater respect for the women because of their increased contributions and less dependence on men for financial support. They claimed that, as a result, there is "more peace and harmony in the families". Evaluations of the successful Grameen Bank activities in Bangladesh show that between 10 and 63% of women do not control the additional resources from loans. There are also reports of increased domestic violence as a result of the increased power that accrues to women.

There is need to move the analysis from individuals and undifferentiated households through micro, meso and macro levels with appropriate conceptualization of the links between these levels and emphasis on social, economic and structural relationships. This is important since gender and its links to poverty can be better appreciated in terms of these relational processes.[56] For poverty reduction policies to become responsive to the needs of poor women in a sustainable way, these differences need to be reflected at policy, gender analysis and implementation levels. Concepts of poverty have become increasingly more sophisticated and multi-dimensional to include human deprivation as a result, for instance, of entitlement failures rather than scarcity of goods.[57] In operationalizing the rich poverty concepts with a view to eradicating poverty, there is need to develop more sophisticated measurable indicators for effective eradication of feminized poverty.

Thus, a major policy gap relates to addressing the power and gender equality of dimensions of poverty eradication. So far, Muhammad Yunis of the Grameen Bank in Bangladesh and the ILO are among the few that see access to credit as part of the human right of the poor.[58] The 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?[59]

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. It has been noted above that the definition of empowerment by the World Bank differs from that of UNIFEM and that of other feminists and focuses on the state institutions and their ability to be accountable and to facilitate an increase in poor people' share of mainstream resources. The empowerment approach to increasing women's mobility and access to credit and sustainable livelihoods which focuses on the individual or groups of actors, rather than on state institutions, has become popular with UNIFEM and many women's NGOs. 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.

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[56] Lockwood and Whitehead, 1999
[57] Armartya Sen 1985
[58] Yunis, 1997
[59] Else Oyen, 1999

A major policy and operational problem is the limited dialogue and collaboration among development agencies as they develop their policies and strategies for poverty eradication. UNIFEM's three main strategies have proved very effective in reducing poverty. These strategies are: a) mainstreaming gender into microfinance institutions so as to increase gender awareness at the institutional level and improve services to women clients; b) supporting the development of innovative mechanisms and approaches to increase women's access to credit; and c) supporting advocacy of networks of MFIs to promote changes in credit policies and legislation while increasing their outreach to increased number of clients. However, concerted efforts need to be made to increase the outreach, effectiveness and sustainability of the empowerment processes by replicating the successful models developed by UNIFEM and similar agencies.

Increased attention needs to be paid to developing measurable indicators of success, increasing the number of agencies that effectively empower women, increasing participation of the poor in decision-making, and instigating public action to increase access to microfinance institution and services. 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.

The policy consensus that labor-intensive growth is pro-poor since labor is the most abundant asset of the poor needs to be revisited. Emphasis on labor-intensive growth fails to address women's labor constraints or question the wider policy framework, for instance, the impact on the bodily well being of the poor. Labor 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 labor 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.

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.

The 1997 Global Microcredit Summit held in Washington has set a target of provision of microfinance services to 100 million households by 2015 in an effort to eradicate or reduce poverty for the one billion people that have been identified as living on less than one dollar per day. Strategies of various agencies have varied from identifying and strengthening breakthroughs

(UNDP's Microstart), to supporting the spinning off of microfinance services from existing multidimensional organizations in which they are nestled, so as to achieve full sustainability (Save the Children's fund into JWDS, AL Majmouna and FATEN), to the creation and strengthening of strong, transparent and sustainable microfinance institutions that will effectively deliver financial services to the poor and possibly link them to mainstream banking services for increased and assured sources of credit (Grameen Bank).

Increased dialogue among these institutions is needed for greater synergy and impact of the approaches in facilitating the goal of the Microcredit Summit. What perhaps is needed is to institutionalize the task force approach of the Grameen Bank to oversee the process. As many people have argued , the two goals of the WSSD, reaching the poor – especially women, and locating institutions capable of delivering financial services on a sustainable basis, are not mutually exclusive. A number of the NGOs discussed above have demonstrated the success of their focus on the two goals (Grameen, ACCION, SEWA). Resources and efforts should be directed at national and global levels to expand their approaches aimed at addressing the two goals simultaneously.

10 CONCLUSION AND RECOMMENDATIONS

The above review has highlighted major achievements and gaps in the use of microfinance as a tool for reducing poverty especially among women and girls. The last section focused on policy support for microfinance and gaps that need to be addressed to ensure maximal impact on the clients. In the final analysis, reducing the gender dimensions of poverty will gain from focusing policies and processes on what works for women and the poor in different socio-cultural and political contexts. We have addressed many of these issues in the review but will highlight some of these as recommendations for increased outreach, synergy and impact of micro financial policies and reduction of poverty.

The literature on the practice of microfinance is unevenly distributed. Asia seems to have the highest density of microfinance services, and Africa the least. Many of the micro-finance institutions in Africa are savings-based. The debates on whether such institutions need to be supported with external funding need to be re-visited since these institutions, especially those in Africa need to be supported to expand their outreach for the benefit of their millions of the poor in the continent.

The implications for policy, methodology.and field practice of the above review and the lessons learnt include the following:

Policy:

- It is important to bear in mind that a 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. Institutional financial sufficiency reflects the microfinance institute's "ability to operate at a level of profitability" that allows sustained delivery with minimal or no dependence on donor inputs, international agencies or charitable organizations. Only by pursuing commercially motivated for-profit strategies will the microfinance institutions achieve the primary goal of reducing poverty among the truly large numbers of the poor and the poorest. However, this need not be at the expense of the social objectives, outreach and services of the poor.

- 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. UNIFEM's initiative with Microfin Afric is a step in the right direction and should be enhanced with additional inputs from bigger agencies.

- 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. In a rural cooperative in India for instance, microcredit allowed poor farmers to acquire animals to produce milk. Effectiveness of the microcredit was greatly enhanced by parallel investment in the whole system of milk collection, milk processing and milk marketing. Success in income earning for the poor and quality of milk for the urban consumers were achieved simultaneously.

- 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 eight 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.

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iv. Grameen Bank, Experience in Learning New Technology. 1993
v. Credit for Self-Employment: fundamental Human Rights. 1987
vi. Impact of Grameen Bank on Women's involvement in Productive activities 1992
vii. Towards creating a Poverty-Free world: the Grameen Experience
viii. **How Donor Funds could better reach and Support Grassroots Microcredit Programs looking towards the microcredit goal and core themes. June 1999.**

APPENDICES.

A.

Table two: Reaching the poorest: How effective? 16% increase in the number of *poorest women* reached in 1999

Year	Total number of client reported	Number of "poorest" clients reported	Number of "poorest" clients who are women
12/31/98 1,065 institutions	20,938,899	12,221,918	8,839,706
12/31/99 1,065 institutions	23,555,689	13,779,872	10,273,900

B. Analysis By Region

Region	Number of programs reporting	Number of clients reported 1998	Number of clients reported 1999	Number of poorest[1] clients reported 1998	Number of poorest[1] clients reported 1999	Number of women clients poorest[1] reported 1998	Number of women clients poorest[1] reported 1999
Africa	455	2,974,318	3,833,565	2,149,517	2,617,861	1,142,614	1,526,267
Asia	352	16,798,605	18,427,125	9,513,544	10,498,656	7,350,121	8,316,313
Latin America & Caribbean	152	989,800	1,109,708	452,436	531,228	290,364	355,253
Middle East	16	44,225	46,925	28,071	28,807	15,501	15,680
Developing World Totals	975	20,806,948	23,417,323	12,143,568	13,676,552	8,798,600	10,213,513
North America	48	40,439	46,925	28,071	28,807	15,501	15,680
Europe & NIS	42	40,439	43,750	16,566	18,519	11,144	13,022
Industrialized World Totals	90	131,951	138,366	78,350	103,320	41,106	60,387
Global World	1,065	20,938,899	23,555,689	12,221,918	13,779,872	8,839,706	10,273,900

Totals							

Source:www.microceditsummit.org/campaigns/report00.html p34

C. **Table 4:** A sample of Microfinance organizations/institutions delivering services to women and the poor from different parts of the globe.

Institution	**ASIA** Country	Total number of poorest clients as of 12/31/98	Total number of poorest clients as of 12/31/99	Total number of poorest women as of 12/31/98	Total number of poorest women as of 12/31/99
Grameen Bank	Bangladesh	2,360,000	2,360,000	2,242,000	2,242,000
Association of Asian Confederation of Credit Unions	Thailand	1,502,644	1,528,245	871,534	916,947
BRAC	Bangladesh	1,040,000	1,360,000	1,040,000	1,360,000
Association for Social Advancement	Bangladesh	707,842	975,886	661,195	906,403
Proshika Manobik Unnayan Kendra	Bangladesh	709,556	735,486	404,447	433,937
Agricultural Development Bank	Nepal	163,289	168,869	40,822	43,906
Rangpur Dinajpur Rural Service	Bangladesh	80,808	90,916	54,141	63,641
South Malabar Gramin Bank	India	75,000	68,000	15,000	17,000
BURO, Tangail	Bangladesh	71,479	67,357	70,764	66,683
Amanah Ikhtiar Malaysia	Malaysia	56,087	58,289	56,087	58,289
Association of Cambodian Local Economic Development Agencies	Cambodia	55,993	49,643	50,394	42,197
Thengamara Mohila Sabuj Sangha	Bangladesh	45,000	47,000	45,000	47,000
Development of Human Action Foundation	India	35,000	42,559	35,000	42,559
Heed Bangladesh	Bangladesh	29,262	34,154	23,410	27,323
Bangladesh Agricultural Working Peoples Association	Bangladesh	20,475	23,877	18,837	21,967

Catholic Relief Services Cambodia	Cambodia	13,731	22,003	13,731	22,003
Jagorani Chakra	Bangladesh	19,008	21,332	18,058	20,479
Christian Service Society	Bangladesh	18,382	18,705	15,625	15,899
Small Farmers Development Project	Bangladesh	16,690	17,893	8,345	9,125
Centre for Self-Help DevelopmentCentre for Self-Help Development	Nepal	13,453	17,707	13,453	17,707
Negros Women for Tomorrow Foundation	Philippines	13,089	17,454	13,089	17,454
All India Association for Micro-Enterprise Development	India	8,500	16,910	5,950	12,175
Uttar Pradesh Bhumi Sudhar Nigam	India	16,400	16,400	13,776	13,448
Surjamukhi Sangstha	Bangladesh	10,500	15,000	8,400	13,500
FINCA Kyrgyzstan	Kyrgyzstan	9,944	14,821	9,944	14,821
Heifer Project International China	P.R. of China	1,248	14,560	499	5,824
Center for Agriculture and Rural Development	Philippines	10,308	14,265	10,205	14,265
Society for Helping and Awakening Rural Poor through Education	India	7,367	14,155	7,367	14,155
Integrated Development Foundation	Bangladesh	11,487	11,546	11,487	11,546
Bharati Integrated Rural Development Society	India	9,021	10,187	9,021	10,187
Centre for Advanced Research and Social Action	Bangladesh	7,347	10,043	7,200	9,742
Mauchak	Bangladesh	14,005	9,155	13,725	8,972
Manabik Shahajya Sangstha	Bangladesh	3,228	3,349	3,228	3,349
Institution	**AFRICA** Country	Total number of poorest clients as of 12/31/98	Total number of poorest clients as of 12/31/99	Total number of poorest women as of 12/31/98	Total number of poorest women as of 12/31/99

Dedebit Credit and Saving Institution (Relief Society of Tigray)	Ethiopia	168,954	220,431	64,203	88,172
Nigerian Agricultural and Cooperative Bank Ltd.	Nigeria	258,607	215,243	77,582	64,573
Amhara Credit and Saving Institution	Ethiopia	94,004	141,947	47,002	70,974
Malawi Rural Finance Company, Ltd.	Malawi	105,500	105,100	40,090	39,938
Kafo Jiginew	Mali	67,871	82,898	67,871	82,898
Farmers Development Union	Nigeria	33,250	38,676	31,255	36,742
Fédération des Caisses Populaires du Burkina	Burkina Faso	30,806	35,000	29,266	31,500
Poverty Alleviation Project	Uganda	25,000	31,500	15,250	23,625
Zakoura Foundation	Morocco	16,055	30,000	16,055	30,000
Reseau des Caisses d'Epargne et de Crédit de Femmes de Dakar	Senegal	12,000	25,000	11,160	23,250
Oromia Credit & Savings Loan	Ethiopia	9,165	22,995	1,833	5,749
FINCA, Uganda	Uganda	16,400	18,634	16,400	18,634
FINCA, Malawi	Malawi	9,106	15,603	9,106	15,603
Uganda Women's Finance Trust	Uganda	7,200	11,200	7,200	11,200
CBDIBA	Benin	7,205	9,444	4,683	6,327
Lift Above Poverty Organization	Nigeria	7,195	9,080	6,979	8,808
Kenya Women Finance Trust	Kenya	5,686	9,060	5,686	9,060
Reseau des Caisses Rurales d'Epargne et Crédit du Walo	Senegal	7,837	8,468	6,276	6,860
Zambuko Trust	Zimbabwe	5,168	5,300	4,289	4,399
FINCA, Tanzania	Tanzania	757	3,632	757	3,632
Initiative pour le Dévéloppement Communautaire Integré	D.R. of Congo	1,568	1,778	1,490	1,689

Caritas, Thies	Senegal	897	1,307	897	1,307
Institution	**Latin America and Caribbean** Country	Total number of poorest clients as of 12/31/98	Total number of poorest clients as of 12/31/99	Total number of poorest women as of 12/31/98	Total number of poorest women as of 12/31/99
Asociación Programa Compartamos	Mexico	35,595	43,951	35,595	43,511
Cooperativa Emprender	Colombia	40,232	41,000	25,748	27,060
Fondo Ecuatoriano Populorum Progressio	Ecuador	32,500	36,200	13,650	18,100
Fundación para la Promoción y Desarrollo	Bolivia	31,200	25,146	20,280	14,333
Banco Solidario S. A.	Bolivia	20,729	22,110	15,567	15,234
FINCA, Honduras	Honduras	15,175	21,103	14,568	20,259
FINCA, El Salvador	El Salvador	16,302	18,403	14,183	15,643
MIBANCO, Banco de la Microempresa S.A.	Peru	16,800	18,000	10,416	11,160
Asociación Benefica PRISMA	Peru	942	16,745	414	8,707
Pro Mujer - Bolivia	Bolivia	13,335	15,135	12,668	14,378
FINCA, Nicaragua	Nicaragua	884	13,701	884	13,701
Banco Solidario S. A.	Ecuador	9,620	10,354	5,156	6,057
ACODEP	Nicaragua	6,000	9,000	4,500	6,390
FENAPE	Brazil	6,222	8,125	3,173	4,144
FINCA, Ecuador	Ecuador	4,835	7,746	4,835	7,746
FINCA, Mexico	Mexico	3,650	6,883	3,322	6,470
FINCA, Peru	Peru	5,166	6,648	5,063	6,449
Cooperativa Jesús Nazareno Ltda.	Bolivia	6,475	6,580	4,768	4,847
World Relief Honduras	Honduras	5,000	6,500	5,000	6,500
Fundación Mario Santo Domingo	Colombia	5,800	6,396	4,640	5,373
Organización de Desarrollo Empresarial Femenino	Honduras	6,210	6,210	5,403	4,968
FAMA	Nicaragua	6,117	6,087	3,487	3,226
GENESIS Empresarial	Guatemala	5,200	4,300	1,560	1,505
TOTAL		8,340,363	9,274,385	6,491,944	7,375,203

Source: www.microcredtsummit.org/campaigns/report00.html : p 16-21

From the above sample of the largest microcredit programmes in Africa that have reported the number of poorest clients reached by December 31, 1999. it is clear that even with the unverified numbers, the reach is too limited compared with the needs or the outreach in Asia and Latin America.

Appendix D
(Source:www.unecaorg/eca_resources/major_eca_websites/summit/okello.htm; 1-13)

Poverty Reduction in Southern Africa A Sub-regional Brief

(ECA - SA-SRDC, Lusaka)

East and Southern Africa Sub-regional Follow-up Conference to the World Social Summit
15-17 March, 1999 Nairobi, Kenya

I. OVERVIEW

1. This paper reviews policy actions and programs adopted in the Southern Africa sub-region to implement the principles and fulfill the commitments enunciated in the Copenhagen Declaration on Social Development adopted by the World Summit for Social Development. Government activities are assessed to gauge their impact on poverty reduction.

2. During the last five years, the Southern Africa sub-region has enjoyed a relatively good economic growth. In 1995, the region's average gross domestic product (GDP) per capita of US$934, at 1987 constant prices, was relatively high compared to the rest of sub-Saharan Africa (US$867). In spite of this, the benefits have not trickled down to the people at grassroots level and poverty levels in the sub-region continue to be very high with the majority of the population living below the poverty line. Income inequality is large both between and within countries. The average human development index (HDI) of 0.512 for all the Southern African countries ranks among the lowest in the world. The sub-region has high infant mortality rates (82 per 1000 live births) compared to all developing countries (64 per 1000), industrial countries (14 per 1000) and the rest of the world (58 per 1000). The average life expectancy at birth is also one of the lowest (Table No. 1).

3. The high incidence of poverty in the majority of countries in the sub-region is a result of a combination of various factors, including: (a) high unemployment levels; (b) limited access to

productive resources such as land and capital which adversely affects rural women; (c) urban biased development policies with the attendant rural-urban migration, which has led to rural areas becoming unattractive and put pressure on capacity to provide social services; (d) inability by governments, communities and other development agencies to effectively channel resources to poverty eradication programs; (e) population pressures leading to cultivation of marginal lands; (f) external factors, such as unfavorable terms of trade for most of the sub-region's exports on the international market and the attendant debt servicing obligations, leading to limited resources to devote to poverty programs in a number of countries; (g) the negative impact of structural adjustment programs that some countries have been implementing; and (h) persistent droughts. Nevertheless, the causal-effect relationship of these factors on poverty varies from country to country.

4. There are wide variations in the incidence of poverty from country to country within the sub-region. Poverty is particularly great among the rural population and those in low-income urban settlements. Income distribution inequalities, taken as a factor of poverty, are very high in the sub-region. The extent of inequality is such that a tiny proportion of the population earns more than 50 per cent of the total income. As can be seen from table 1 above 50 per cent of the countries in the sub-region had a HDI above 0.5 in 1995, while the rest remained among the poorest countries in the world. In countries such as Mozambique and Zambia, for instance, about 71.2 and 79 per cent of the population in the rural areas is considered to be poor, while the proportion in the urban areas is 62 and 44 per cent, respectively. Some countries, notably, Botswana, Mauritius and South Africa have relatively lower incidences of poverty due to their sustained economic development over long periods of time. The respective average GDP per capita of US$1,857, US$2,516 and US$2,165 in the three countries are more than fifteen times those of the poorest countries such as Malawi (US$146), Tanzania (US$155) and Mozambique (US$133).

5. For the purposes of the Sub-regional Follow-up Conference to the World Summit for Social Development, this Note by the Secretariat focuses on the following specific themes: Poverty Reduction, Employment Generation, Public Spending on Social Services and Good Governance.

II. POVERTY REDUCTION

6. The range of indices for Southern Africa reflects diversity in the level of social development. Failure of the economic growth (which was expected to generate the trickle-down effect and reduce poverty), economic mismanagement and the need to address the adverse impact of other factors including transparent and accountable government at all levels, have led governments and other development agencies to evolve broad based development strategies. Poverty has since then increasingly become an area of immediate concern for governments in Southern Africa sub-region, donor agencies and civil society since early 1990s due to failure of previous policies to bring about economic development, including poverty eradication. Comparing HDI in 1990 with 1995, each one of the southern African countries has shown improvements. Major hurdles to poverty alleviation initiatives include, however, the need for a coherent poverty alleviation strategy both at national and sub-regional levels, with built-in monitoring and evaluation systems and coordination mechanisms; and very poor integration of the population concerns.

7. A Regional Forum on Poverty Eradication in Southern Africa was held in Windhoek, Namibia, in May 1997. It addressed poverty issues in the sub-region and setting up of

mechanisms for the adoption of national poverty reduction action plans which would ensure better implementation, coordination and monitoring of poverty reduction initiatives at country level. The Forum adopted a Declaration which emphasized the role of governments in involving people, non-governmental organizations (NGOs), community based organizations, private sector, the media and other agencies in formulating and implementing programs designed to eradicate poverty in the sub-region. The Forum called on the Southern African Development Community (SADC) to encourage member states to place poverty issues at the center of their development agenda. The international community in general and the Economic Commission for Africa Sub-regional Development Center for Southern Africa (ECA/SRDC-SA) in particular and in collaboration with other United Nations organs, were urged to facilitate capacity building workshops in the area of poverty reduction. Poverty alleviation is currently a policy target by all governments in the sub-region. With the backing of the donor community, nearly all Southern African member States are implementing one form of poverty reduction program or another. Most of these programs are targeted at women who are the most vulnerable either as heads of households or wives to unemployed men or men in low-paid jobs. The programmes have generally been poor-friendly, focusing particularly on the following areas: employment and income generation, land ownership and the provision of social services (see Table No. 2).

III. EMPLOYMENT AND INCOME GENERATION

8. Productive work and employment have not only been considered by Southern African governments to be both central and decisive elements of development, but also recognized as effective methods of combating poverty and promoting social integration. Opportunities for income generation, diversification of activities and increase in productivity in low-income and poor communities has been one of the major outcomes of the policy strategies in the fight against poverty in Southern Africa. In the Kingdom of Lesotho, the Lesotho Construction Unit, through its civil works section and the Lesotho Highlands Revenue Fund, are intensifying employment creation efforts. In some other countries, women in particular are organized in small groups for collective struggle to earn income. Organized work teams for civil works such as unblocking of road drainage systems, street cleaning and waste disposal have received particular attention in countries such as Lesotho and Zambia.

9. Small-scale credit is being recognized increasingly as one of the most effective tools for improving Africa's economic performance and helping combat poverty on the continent. Women have often had the least access to formal banking institutions, despite their position as the main producers of Africa's food crops and their predominance in the informal sector in many African countries. Extending loans to women is a highly effective way to combat poverty. In Southern Africa, the past few years have seen a marked growth in micro-credit organizations with particular attention to women. In South Africa, for instance, a pilot project of the United Nations International Fund for Agricultural Development established several "village banks"; each of them has established its own links to commercial banks, which provide funds, training, legal fees and other assistance. In addition, the government has made special credit arrangements under Growth, Employment and Redistribution (GEAR) program. This program targets female entrepreneurs in disadvantaged locations in both rural and urban areas. Other countries including Botswana, Malawi, Zambia and Zimbabwe, to name a few, have also adopted gender biased credit schemes.

10. Recognizing that poverty is closely related to productive employment, Southern African governments are focusing on rising employment levels and reducing unemployment by providing an environment conducive to economic growth thus investment led employment generation. Former measures to fight against poverty such as free transfer of poverty relief items such as food items (maize, rice, beans, salt, edible oil, etc.) have been found not to be effective.

11. Agriculture is the main economic activity in almost all-rural communities in Southern Africa. Consequently, the initial resource endowment, particularly in terms of access to land, is likely to be a crucial determinant of the pattern of agricultural development a country or region will follow. Rural residents mostly depend on agriculture for their livelihood. In Southern Africa, like in most agrarian societies of Africa, land tenure arrangements under traditional agriculture systems are still under customary laws, which put emphasis on inherited rights to have access to land in order to grow food for their families. Land reforms and measures to expanding and improving land ownership and the security of land tenure are being adopted in some countries. Policies are being focused on ensuring equal rights of women and men in developing new agricultural land, promoting fair land rents, making land transfers more efficient and fair, and adjudication of land disputes.

12. These land reform measures have, however, been found to be inefficient, because land alone is not enough. Those who have access to land often lack the resources to utilize it, such as seeds, fertilizers and tools with which to work on the land. This, in turn, has failed to improve social, economic and living conditions in rural areas, thereby encouraging rural exodus.

13. In addition to legal reforms, institutional reforms have also been considered to be necessary for an effective poverty reduction policy. Nevertheless, despite the number of institutional reforms adopted in this respect, the absence of clear titling and property rights is also considered as a major institutional constraint to the growth of agricultural production. Institutions, in addition to policies and laws, can affect poverty reduction schemes in many ways. Improvement in capacities of development institutions is another aspect that most countries in Southern Africa have paid particular attention for fight against poverty. In Mozambique, for instance, the Ministry of Planning and Finance has established an inter-ministerial working group to design Poverty Action Plan. This will allow the government to allocate appropriate resources to those sectoral programmes linked with quickest answer to poverty reduction.

14. There is strong relationship between agricultural growth and poverty alleviation. As in other sub-regions of the continent, most of Southern Africa's poor live in rural areas and depend on agriculture for survival. The dependence is both direct, in growing food and cash crops, and indirect by working on farms or by trading in agricultural inputs and products. Growth of agriculture, agricultural production and agriculture incomes helps the rural poor alleviate poverty and has a direct bearing in many human development indicators. In this context, the lack of an appropriate irrigation system and the prevalence of erratic and below normal rainfall in the Southern African sub-region have led to reduced crop yields, thereby aggravating the poverty situation in the sub-region.

III. SOCIAL SERVICES

15. The satisfaction of basic human needs is an essential element for poverty reduction. Southern Africa's overall policy on social development emphasizes adequate social investment,

particularly in human capital development, through education and health. Inadequacies in relation to meeting such basic needs as nutrition, health, water and sanitation, education, housing and participation in social and cultural life are featuring prominently in virtually all countries action plans for poverty reduction. The pluralistic nature of most societies has at times resulted in problems for the different groups to achieve and maintain harmony and cooperation and to have equal access to all resources in society. Some progress has, however, been made towards social integration as to create "a society for all" in such countries as Mozambique and the Republic of South Africa. That progress has been noted as shown in the continued spread of democracy, wider recognition of the need to respect human dignity, and the recognition of each individual right in the context of the rule of law.

16. Indicators for education within the sub-region show a significant variation in primary school enrolment, from 60 per cent in Mozambique to 135 in Malawi. Malawi appears to have experienced a huge improvement in enrolments with the rate more than doubling in recent years. In 1995 other countries also achieved high rates of enrolment (e.g. Botswana, Mauritius, Namibia, South Africa, Swaziland and Zimbabwe).

17. The fight against poverty in the sub-region is increasingly coming up against the debilitating HIV/AIDS pandemic, which aggravates poverty-related problems. The unemployment situation, aggravated by privatization and reform programmes, coupled with sluggish rate of growth in job opportunities, has worsened poverty levels in the sub-region.

IV. GOOD GOVERNANCE

8. Over the past three years or so, Southern Africa has enjoyed an overall atmosphere of relative peace and political stability and witnessed the consolidation of a democratic culture, good governance, the rule of law and respect of human rights. This is reflected in a number of positive developments, such as the holding of the first municipal elections in Mozambique in June 1998, the holding of general elections in Lesotho in May 1998, the change of leadership in Botswana and the holding of elections Swaziland in October 1998. In South Africa, President Nelson Mandela retired as a President of the ruling African National Congress Party on 31 March 1998. These smooth transfers of power reflect a step forward in the maturation of democracy in the sub-region.

19. Notwithstanding these positive developments, the situation in Angola and the Democratic Republic of Congo is a source of great concern to the sub-region. The military situation in Angola has been deteriorating recently. Efforts are being made by some SADC member States to find a diplomatic solution to the conflict in the RDC. It is hoped that these complementary initiatives will assist in the restoration of peace, security and stability in the sub-region.

20. The process of putting into place a policy and institutional framework for gender in Southern Africa can be traced to 1990, when the SADC Council of ministers mandated the SADC Secretariat to explore best ways to incorporate gender issues in the SADC Programme of Work.

21. 1997 marked the turning point in the recognition of the importance of gender as key development issue and gender equality as essential for the attainment of democracy and human rights in the sub-region. In February 1997, the SADC Council of Ministers approved the establishment of a policy framework for mainstreaming gender in all SADC activities. In

September 1997, SADC head of States and Government signed a Declaration on gender and Development thereby committing themselves and their respective countries to take steps towards the achievement of gender equality in the sub-region.

22. The following significant developments have also taken place:

1. Establishment of Gender Unit in SADC Secretariat, June 1998;
2. Approval of the Gender Plan of Action in Southern Africa, July 1998;
3. Workshop on Integration of Gender Issues and Concerns in the Implementation of the Convention to Combat Desertification (CCD), February 1998;
4. Sub-regional Conference on Prevention of Violence Against Women, March 1998;
5. Conference on Women and Trade, June-July, 1998.

V. THE WAY FORWARD

23. Problems of poverty reduction are global in character. The situation of most African countries, and particularly the Southern Africa sub-region, is critical and requires special attention and action. The foregoing review indicates that poverty incidence in Southern Africa remains high and that unless concerted efforts are made the situation is likely to worsen. Policies and programs to alleviate poverty have only gained prominence in the early 1990s partly due to donor influence and support. In recent years, attempts to reduce poverty have been hampered by absence of carefully formulated policy and institutional frameworks including inadequate resources.

24. More fundamentally, most policies and programs at national and local levels have failed to analyze the impact of macroeconomic and sector policies on the poor. In addition, poverty reduction efforts have also failed to be properly linked and coordinated at country level, thereby making them less effective.

25. Sustainability of the programs in the long run is doubtful because of overwhelming dependence on external resources in the majority of countries. Some countries will find it difficult to sustain poverty reduction programs due to economic difficulties they are experiencing and would continue to rely on donors in the short and medium term. Only a few countries such, as Botswana, would be in a position to ensure long term sustainability of programs from their own resources because of favorable economic conditions.

26. Southern African countries are at different levels of poverty alleviation programs, policy formulation and implementation. While some have already formulated policies and are in the process of implementing them, others are only beginning to appreciate the magnitude of the problem following recent surveys on the incidence of poverty.

27. In summary, goals and objectives towards poverty reduction require continuous efforts to reduce and eliminate major sources of social distress and instability for families and the society. Particular focus should be placed on and priority attention given to the fight against the generalized conditions that pose severe threats to the health, safety, peace, security and well

being of the people. Among these conditions are chronic hunger; unemployment; malnutrition; organized crime; HIV/AIDS; corruption; armed conflicts; intolerance and incitement to ethnic, religious and other hatred.

Table No. I. – Evolution of selected Poverty Indicators in Southern Africa, 1994-1995

Country	GDP per Capita (US$)		Life Exp. at birth, 1995 (years)	HDI 1995	HDI World Rank		Infant Mortality Rate 1996	Population with access to safe water 1990-1996
	94	95			1994	1995		
Angola	.....	641	47.4	0.344	157	156	170	32
Botswana	1784	1857	51.7	0.678	97	97	40	...
Lesotho	....	354	58.1	0.469	137	134	96	62
Malawi	....	146	41.0	0.334	161	161	137	37
Mauritius	2399	2516	70.9	0.833	61	61	20	98
Mozambique	...	133	46.3	0.281	166	166	133	...
Namibia	1574	1477	55.8	0.644	118	107	60	...
South Africa	2141	2165	64.1	0.717	90	89	50	...
Swaziland	768	800	58.8	0.597	114	114	72	60
Zambia	253	257	42.7	0.378	143	143	112	27
Zimbabwe	629	604	48.9	0.507	129	130	49	...
Average	934		53.0	0.512			82	...
All Developing countries	867		62.2	0.586			65	71
LDCs	233		51.2	0.347			109	57
Industrial Countries	12,764		74.2	0.911			13	...
World	3,417		63.6	0.772			60	...

Source: United Nations Human Development Report, 1997 and 1998

Table No. 2. - Poverty Reduction Policies and Programs in Southern Africa, Congruence and Divergence

Country	Policy Framework	Capacity Building (Institutional Framework)	Direct Assistance Programs	Empowerment
Botswana	National Policy on Women in Development	Women's Unit	Income supplementation, food transfers	Sills, Training, microcredit, employment generation through private sector development
Lesotho	Social Policy Framework and Action Plans in Place	Civil service reform, decentralization, effective planning & budgeting, household surveys partnerships with NGOs & donors, merging fragmented Units, transparence in use of Development Fund.	Through Social Safety Net (i) lower price of food, (ii) expand labor intensive public works & provide food supplements	Human resource development(education & health), private sector development
Malawi	Employment Policy,	Poverty Monitoring by National Economic Council	Poverty Alleviation program, Trust Fund, Public Works, Program	Private sector and enterprise Development skills training & microcredit delivery
Namibia	National Long term Perspective Study	Inter-institutional National Committee on Poverty Reduction	Social Security, Development Fund, National Medical Aid Fund and National Pension Fund	Affirmative Action Program, private sector development
Swaziland	National Development Strategy	Improving community based structures	Social Security,	Labor intensive technologies, promoting self employment and informal sector, private sector development
South Africa	Social Welfare Policy	Reconstruction and Development Committee, Decentralization	Public Works Programs, Social, security	Skills training and enterprise development
Zambia	National Poverty Reduction Strategic Framework	National Social Safety Net Coordinating Committee	Public Welfare Assistance, Public Works Program	Microcredit for enterprise development, agriculture & rural development, Human resource development.
Zimbabwe	Revision of Social Dimensions of Structural Adjustment Program into poverty policy with Action Plans		Welfare grants,	Land resettlement, reforms, microcredit delivery

Source: SRDC-SA Secretariat

Table No. 4. - Credit to the Private Sector in selected countries, 1995-1997

(% annual change)

Countries	1995	1996	1997
Botswana	-3	4	9
Malawi	5	12	N/A
Mauritius	15	5	26
Mozambique	54	46	50

Swaziland	2	6	12
Zimbabwe	28	21	49

Source: The World Bank, African Development Indicators, 1998