

9

Economic Self-Help, Through Micro Credit in Polynesia

Warner Woodworth

In James Michener's (19) epic are the memorable words of a Hawaiian mother to her children in January 1900:

“I have a little money saved and many vegetables. All of our women and girls must work as servants with haole families, for that will feed the women and also give us money. Europe and America must start to visit every haole store tomorrow, begging for supplies on easy credit so that they can open new stores. Do it tomorrow, while the haoles are sorry for what happened today, for they will give you terms tomorrow that you will not be able to get next week.” She smiled at her four sons and said, “We must work.”(p. 726)

This chapter will focus on the successes and economic challenges facing latter-day Saints in the islands of the Pacific.

In order to manage a manageable number of cases, this paper will be limited to the following eleven islands of the South Pacific: Cook Islands, Fiji, French Polynesia (Tahiti), Hawaii, Kiribati, New Zealand, Niue, Papua New Guinea, Western and American Samoa, and Tonga. However, even all of these cannot be discussed in detail due to space and time constraints. Smaller islands and those of Micronesia are not included due to constraints of time and distance, as well as LDS Church regional structures.

The LDS Church in the South Pacific: Of all these island cultures, the first to encounter early Church missionaries was Tahiti on April 30, 1844 when Latter-day Saint elders arrived in a whaling ship. Numerous baptisms followed as converts flocked to this new religion. Soon after in Hawaii, known then as the Sandwich Islands, Sam Brannan and the LDS immigrants traveling to California in 1846 aboard the ship *Brooklyn* landed briefly. In 1850 LDS elders from northern

California's gold rush era were officially sent by the Church and the first Hawaiian converts were baptized in 1851. LDS colonies and plantations were created in the following years as branches became established and chapels built.

By 1854 missionaries from the Australian Mission began to open New Zealand for preaching, first laboring among the Europeans but later concentrating on native Maoris. Next came Samoa in 1863 and in the late 1800s, conversions began in Tonga and the Cook Islands. It was not until the mid twentieth century that LDS efforts were launched in Niue (1952), Fiji (1954), Kiribati (1975), and finally, Papua New Guinea (1980).

In each island culture these native pioneers manifested great faith and devotion to the Lord and the building of Zion. Although their material possessions were few, they were willing to give their all to the kingdom—building temples and chapels, serving missions, and so on. The latest church statistics report the LDS population of these islands to be approximately 274,300.ⁱ Nearly a quarter of the total population of American and Western Samoa is LDS, along with 38 percent of Tonga and 17 percent of Niue. Together oceanic saints are fulfilling the vision of Brigham Young over a century ago: “Zion will extend, eventually, all over this earth. There will be no nook or corner, upon the earth, but what will be in Zion. It will all be Zion.”ⁱⁱ Even the isles of the sea.

Over the decades of the past, these righteous saints of the South Pacific have endured many hardships—internal civil conflict and political tensions, persecutions, apostasy by some missionaries and leaders, and World War II when many islands suffered the ravages of Japanese occupation. After the war, a number of island groups became trusts territories of the United Nations and this lasted for decades until restructuring and independence became viable. For example, Kiribati only gained its independence in 1979, while Papua New Guinea became so in 1975, Fiji and Tonga in 1970, and Western Samoa earlier in 1962. While political stability has

largely prevailed in recent decades, the region's first military coup took place in Fiji in 1987. Other islands have experienced emerging political movements—antinuclear attitudes in French Polynesia and elsewhere, a push for more indigenous or native cultures in Hawaii, and so forth. Islands have also lacked access to health care and education, suffered boating disasters and death, and the terrible devastation of earthquakes and savage hurricanes that obliterated local economies.

On the other hand many LDS members in Oceania have also enjoyed opportunities for improving their lives through not only spiritual principles, but Church-built schools and agricultural colleges, vocational training at BYU-Hawaii, and LDS humanitarian emergency relief to help through periods of crisis and disaster—food, shelter, clothing, medical supplies, and so on. The steady growth of numerous missions, stakes and wards attest to great blessings of the Lord to the faithful.

Today's Island Economics

While much good has come from the Church's rise in the South Pacific, even today daily life is burdensome for many Latter-day natives. The *Human Development Report* (1994) published by the United Nations Development Program (UNDP)ⁱⁱⁱ lists GNP per capita in Fiji of \$1,920, Tonga \$1,480, Cook Islands \$1,000, a mere \$960 in Samoa, and only \$421 in Kiribati. Real per capita income in Fiji has been flat for the past decade, and around 20 percent of the rural population live in absolute poverty. There has been little outside investment which has resulted in a drop in manufacturing employment and only a thousand new jobs in the informal economy in 1994, according to World Bank data. Food imports have risen in reaction to lower domestic production than expected. Some 22 of every thousand babies born alive die in infancy and only 79 percent of the population have access to safe drinking water.⁷

Environmental concerns in the Pacific have grown in recent years. At the 1997 summit on the earth's future, global warming was reported to already begin its destructive impact on fragile South Sea islands. The Maldives' president, Abdul Gayoom, condemned the debate among industrial nations about environmental concerns. The Alliance of Small Island States is seeking a rigorous cutback of carbon dioxide through a new treaty to reduce "Greenhouse gases." Like his island colleague, another Pacific president warned of eminent disaster, declaring that "Some smaller atolls in Micronesia already have had to be abandoned because of this difficulty."⁸ Similar reports have been issued regarding the vulnerability of island clusters in Kiribati and Papua New Guinea.

While Papua New Guinea is endowed with substantial natural resources, most of its natives survive through subsistence agriculture that is highly labor-intensive and less productive. The island's rich deposits of copper, gold, oil and natural gas benefit but a few Guineans and foreign investors. The result is a "markedly dualistic economy" which has created a per-capita income for 80 percent of the people at only \$350. Between 1992-1994 the government faced an insolvency crisis that further exacerbated the country's problems—capital flight, the depletion of foreign resources, and a decline in private investment relative to GDP. Since then instability and the fear of rising crime has deterred much economic growth.

Such conditions either accentuate or correlate with deteriorating public services in Papua New Guinea. Health services have eroded, welfare is in decline, and patterns of disease "still resembles those of a poor tropical country at an early stage of the epidemiologic transition" (p. 424). Life expectancy is only 56.3 years and infant mortality is 66.6 deaths per thousand. Only a third of the population enjoys safe drinking water and illiteracy is 48 percent.⁹

In American Samoa, foreign debt has risen as the economy stagnated, requiring outside aid of some \$2,600 per person annually. Western Samoa is classified as a "least developed country" by

the United Nations since approximately 60 percent of the rural population lives in absolute poverty. Tens of thousands of its citizens are forced to work long-term overseas, channeling millions of dollars home to their families so that they can survive. Many LDS native villagers also leave temporarily for employment overseas, mostly in Australia and the United States, disrupting intact families.

The same is true in Tonga, and in Niue over half the population has to work off-island. In the Cook Islands some 42 percent of paid work derives from government jobs. Unemployment in Fiji is ten percent, and roughly 73 percent of the total population is classified as poor (UNDP).

Life in Tahiti is not exactly the paradise depicted in Hollywood films of the South Seas like “Mutiny on the Bounty” in 1960. In fact, foreign medical doctors who were sent there to study the health effects of French nuclear testing became greatly concerned about the economic impact of such activity on the islands. In their 1990 report, they summarize the situation succinctly: “Tahiti lives off a French military arsenal that translates economically as a mono-culture that is both prosperous and protected, without the worry of international competition.”¹⁰ The tragic facts are that the nuclear-based region has an acceptable level of income, but the wealth is not distributed evenly. A few hundred people earn over \$40,000 annually as cooks, sweepers and laborers for the French military. Meanwhile, about 40 percent of young people are unemployed. The foreign bomb culture has decimated traditional indigenous working lives that consist of simple fishing or rural agriculture.

At the other end of the spectrum, Hawaii with its strong industry and years of modernization and strong tourism does quite well. It seems to benefit from being part of the United States, enjoying a relatively low level of unemployment and a solid per capita GNP of \$19,381. New

Zealand's per capita is \$18,900, but unemployment there is 9.1 percent, and both figures are assumed to be more problematic within the native Maori subculture.

With the exception of the latter two positive cases, the Pacific islands generally suffer from being rather small economies and relying on only a few core industries—mining in New Guinea, tourism, and sugar in the others. Since 1980 their economic performance has been quite poor, made worse by destructive storms and other natural disasters. Thus, the World Bank, refers to the region as the “Pacific Paradox,” an area with favorable natural and human resources, but necessitating high amounts of aid and little growth in incomes.

Island governments generally do not report the percentage of people in poverty, nor do some even have official poverty lines. It is supposed that many individuals can subsist on local agricultural activity and family fishing. Communal obligations are also assumed to mean that no one suffers from hunger. This is perhaps true of some Latter-day Saint families also, but there is evidence from various studies that LDS Church members in many Third World countries tend to be poorer than the average family in a given region. So what is to be done? How can islanders cope with growing vulnerability and, more specifically, what are the implications for LDS natives?

Evaluation of Oceania's Economy

The islands of focus in this paper have essentially suffered from a plateauing economic effect since 1981.¹² Several factors are problematic—small land masses, low levels of population, costly water transportation, vulnerability to natural disasters, and reliance on only one of several industries. Although national debt levels and inflation have been low for the past decade or two, per capita income growth has stalled. Some of the islands entered into a period of fiscal crisis in 1994, leading to a structural adjustment package by the IMF/World Bank. The Cook Islands

experienced an economic crisis requiring a rescue in 1996 and the Solomon Islands are now facing a similar disaster.

As the birth rate of native island populations continues to expand, more and more jobs will be required. All this implies one clear and obvious conclusion: that islanders will have to invent their own jobs rather than wait for multinational corporations, governments, or the Church to rescue them. The next logical point is that the importance of micro entrepreneurship and access to micro loans is critical to income generation and temporal well-being.

Population growth, combined with growing migration from outer islands and rural areas to urban capitals, is leading to congestion, housing and sanitation problems. At the same time there are troublesome signs that social support mechanisms are also in decline. Access to health care, its rising costs, and a greater ratio of doctors and hospitals to the public, all function to increase the sense of deprivation.

Together these signs boil down to two primary needs—self-employment and access to credit. If more jobs could be generated in Pacific societies, productivity would expand and incomes would rise. But self-employed, small businesses need capital to expand; hence, the importance of micro credit.

Economic Strategies in Oceania

Over the past several years in Polynesia, a half dozen such micro enterprise and village banking programs have been launched by island NGOs, benefitting the general population and potentially Latter-day saints as well. Currently, LDS Charities is in the process of preparing to become a partner with one or more such groups in various regions of the world. A group of Utahns, some with ethnic and religious ties to Polynesia, is also mapping a village banking strategy to be implemented in the Pacific islands.

The paragraphs which follow report on these new job-creation and capital-formation efforts in the Pacific's informal economy.

Women in Business Foundation.

This is a new, small NGO in Apia, Western Samoa began in 1993.¹⁶ Its mission statement is, "To offer loans to women in our membership who have no other means of securing credit to begin or sustain their businesses" (p. 168). Thus far, only eleven women have accessed individual loans. The average micro loan is \$104 with an interest rate of ten percent. Some 75 percent of the borrowers live below the national poverty line and 25 percent are in the bottom half of those who are officially poor.

Women in Business has a board of directors that includes borrowers who thereby enjoy decision-making power and a sense of ownership. Individuals receiving loans are also given the opportunity to participate in business training and management skills programs such as marketing and accounting workshops. Loans are also provided for family emergencies and to repair vehicles, in addition to self-employment.

Tonga Development Bank

This financial institution located in Nuku Alofa, Tonga first began lending to small businesses in 1977. According to the bank's self-report, it had 3,361 borrowers during 1996, some 45 percent of which were women. The 1997 estimate is projected to rise to 4,369 loans. Some 16 percent of first time borrowers live below the island's national poverty line and 82 percent of those are actually in the bottom half of those officially designated as poor.

The Tonga Development Bank declares that its purpose is "to contribute to the economic development and improved living standards of the rural poor through financial development, including the provision of small credit and savings mobilization facilities."¹⁷ A network of branch

banks extend to the outer islands of Tonga. In several areas boats are used as mobile bank agencies as employees travel to some of the more indigenous and inaccessible areas.

The amount of capital for a rural Tongan's first loan is the equivalent of US\$ 262, while the average of all loans is US\$ 432, at an effective interest rate of 9.5 percent. Repayment rates are approximately 86 percent and stretch from a period of 12 to 24 months. Borrowers may participate through either an individual program or that of group lending—the village bank model.¹⁸ In all cases, borrowers are required to participate in training programs and workshops that cover such topics as the bank's lending policies, money management skills, and small business training.

Refugee Economic Development Center.

This micro enterprise program is known as the Refugee Economic Development (RED) Manini organization in Honolulu, Hawaii. Begun in the 1990s, it has provided business and peer group training to some 36 individuals so far. Of its first 14 loans, 12 actually led to the creation of business startups.¹⁹

Hawaii experiences an annual influx of some 300 international refugees, mostly from Southeast Asia. The term “manini” translates to mean “small change” in the native Hawaiian tongue, a fitting description for micro enterprise and micro credit.

Funded by federal, state and local grants to assist newcomers, the immigrant center also offers English classes, social work services and so on. The RED Manini project is designed to aid refugees in their quest for self-sufficiency by providing a culturally sensitive peer lending program. Three hour training workshops are offered weekly for a month or more, following which initial loans may be provided. The start-up amount is for \$3,000 and consulting as other forms of technical assistance is provided as follow-up. Of the first 12 borrowers, all micro loans were

repaid. The predominant gender group was male, the bulk being Vietnamese refugees. Business types include taxi service, a vending operation, jewelry making and piecework sewing firms.

UNDP-UNOPS Regional Equitable and Sustainable Human Development Programme (ESUDP).

As an agency of the United Nations Development Programme, ESUDP is a relatively new effort in Suva, Fiji. Its mission is that of promoting “people-centered processes that focus attention on increasing opportunities for people to lead productive and satisfying lives,” according to the Program Coordinator, Jeff Liew.²⁰ There is little known so far about actual results of this micro lending effort.

Meri Dinau Association

Located in Boroko, Papua New Guinea, this group strives to facilitate the availability of credit for poor, rural women. Its rather recent beginning (1994) has already resulted in some 1,500 loan recipients, 99 percent of whom are female. About half of first time borrowers live below the government's defined poverty line. Some 20 percent of them come from the bottom 50 percent of those living in poverty.

The association offers optional training in various skills, but all clients must attend business awareness and planning courses. In addition, all borrowers are required to open a savings account with a commercial bank to foster the principle of saving and preparing for the future.

Meri Dinau's first loan consists of approximately US\$ 300 while the average amount of all loans is around US\$ 400. Its banking model is that of providing individual loans at a 20 percent interest rate, thereby generating enough profit to cover the association's costs, such as loan servicing and overhead. The typical payback period for micro loans is approximately nine months.²¹

Just Dollar\$ Trust.

This organization based in Christ Church, New Zealand, has been operating for five years with micro credit loans funded by private individual investors and philanthropic grants. According to Peter Taylor, its manager, the objective is “to assist low income people in the generation of income through the provision of micro credit.”²²

The trust provides capital primarily, but a degree of informal advice as well. There are approximately forty borrowers at present, 80 percent who are men and 20 percent that are women. Amounts of the average loan are some US\$1,700 and the annual interest rate is 16.2 percent. During the past the lending model included both group-based and individual loans. Currently only individual loans are offered, however a new group borrowing program is being designed to start in 1998. The trust’s annual budget is approximately US\$55,500 with a staff of two individuals in a single office. So far, approximately eight percent of the loan portfolio has been written off as bad debt, leaving a 92 percent repayment rate.²³

Women’s Social and Economic Development Programme (WOSED).

This small and rather new micro lending effort was initiated by the Fiji government's Department of Women and Culture in 1993. The mission statement is as follows:

To support women's income earning activities; to promote saving and improve participants' standard of living; to create self-employment opportunities or support those wishing to become self-employed; and to prepare women for integration into the commercial banking system.²⁴

In other words, WOSED strives to empower poor women so they can eventually rise from the informal economy to that of the formal. To facilitate this shift, all participants are required to save the equivalent of at least one U.S. dollar each week. Workshops are offered on a variety of

topics relating to the social development of women as well as technical/managerial issues. Before accessing the first loan, each woman must complete 32 hours of business training.

The basic lending model is that of individual loans and the beginning amount is some US\$ 400, to be repaid over 18 months. The interest rate is 8 percent. So far, repayment rates average only 53 percent, a level that will not lead to the program's long-term success and sustainability.

According to WOSED's director, there were about 225 loans processed through 1996, and the total projected for 1997 is 545 individuals.²⁵ The target group is female only, 99 percent of whom live below the national poverty line. About half of first time borrowers are in the bottom 50 percent of those in official poverty, a significant fact in efforts to reach the poorest of the poor.

The Papua New Guinea Women's Credit Project.

This effort grew out of several pilot projects tested during the late 1980s. Officially established in March 1996, it operates under the jurisdiction of the government's Department of Home Affairs. Some ten districts within eight provinces each run their own revolving loan projects, using their own lending methods within the government's broad parameters.

The project uses some Grameen methods with regard to group lending guarantees, but only one person can actually utilize the loan at a time. Interest rates range from ten to 20 percent over a nine to 12 month period. The maximum amount of loans is US\$ 389.²⁶

Limits of Income Generating Programs

While promising, the programs and projects described above suffer from several deficiencies. First, they are currently only in a stage of infancy with years of development needed in the future to become a mature movement with strength and maximum impact. Because of their

newness they lack strong repayment rates in some cases. Staff officers appear in some cases to lack the depth of experience to be fully effective in terms of development and management responsibilities. With time and painful experience, some of these difficulties may be mitigated in the future.

A second source of difficulty has to do with sheer numbers. A mere handful of NGOs, development banks and government projects does not begin to address the huge problem facing millions of people spread over thousands of islands dotting the entire Pacific Ocean. What is needed is tens of thousands of small, experimental efforts to determine what works, why they work, and how to expand the success. Perhaps this will become a driving force to encourage LDSC and private Latter-day Saint micro lending initiatives in Oceania.

The third difficulty is that of reaching out to the poorest of the poor. Although some of the programs channel at least 50 percent of their micro loans to those below the poverty line, apparently much effort also goes to the lower middle classes. Raising people at middle levels does not have the economic leverage in a nation that would occur by lifting those at the very bottom of the socio-economic heap. More focus on those in extreme poverty, providing loans of perhaps a mere US\$ 40-50, might allow greater numbers of the poor to benefit more significantly.

A fourth area that apparently needs improvement has to do with technical issues such as training and savings programs. As can be seen among the programs described above, there are vastly different degrees of training, whether it is required or not, as well as the type of training, and so forth. The same can be said of savings programs. Are they required? How much is appropriate and/or necessary? What interest rates are paid? What policies govern the withdrawal of savings? It is increasingly argued by most micro finance research that good savings programs are an essential

dimension for lifting people from poverty. Given the general lack of such habits and practices in the Pacific islands, this factor becomes increasingly significant.

Lastly, the fifth difficulty in these new micro enterprise and credit schemes seems to be questions regarding their operational and economic viability. Based on what is apparent so far, one can assume they are functioning well below their full potential. Lack of a solid database regarding these cases, along with the probability of overestimates in some of the information reported combine to suggest that none of them is yet financially self-sufficient. Although much about these micro enterprise training and lending programs seems to be of good quality, long-term survival is another matter. Interest rates and repayment levels must be sufficiently high to cover the costs of running such programs or donor funds may dry up eventually. Client savings will ultimately help fortify the capital base for future lending, but this requires huge numbers of participants involving millions of dollars in savings.

How might micro credit or a Grameen experience be structured for an LDS Polynesian island economy? While the specific details would require a careful needs analysis, including cultural issues and detailed economic realities, the rough structure of such a system can be envisioned.

The process could consist of the following steps: 1) establish a local NGO with its own board of directors, office staff and technical positions; 2) create a partnership with Latter-day Saints in the mainland United States who can provide resources for start-up; 3) build on existing micro enterprises of the island's informal economy, as well as create new, small, entrepreneurial ventures; 4) offer extensive training and hands-on consulting to build leaders and to increase the skill base of all participants; 5) establish a structure by which poor borrowers may access credit with which to expand and strengthen economic activity; 6) create a savings program to foster

capital accumulation and long-term security; 7) grow slowly and carefully, monitoring and evaluating results over time.

[Insert Figure 2 About Here]

To those who feel such an effort cannot succeed among Latter-day Saints of the Pacific, one must ask: what are the alternatives? Should we wait for the institutional Church to solve all temporal problems? Or remain passive until the government saves its citizens? Or hope that huge multinational corporations will provide jobs for all?

The counsel of President Wilford Woodruff at general conference in 1873 suggests a resounding “No!”

Strangers and the Christian world marvel at the “Mormons” talking about temporal things. Bless your souls, two-thirds of all the revelations given in this world rest upon the accomplishment of temporal work. . . . This is the great dispensation in which the Zion of God must be built up, and we as Latter-day Saints have to build. We have it to do, we can’t build up Zion sitting on a hemlock slab singing ourselves away to everlasting bliss. . . .³³

Apparently not even sitting under a Plumeria tree singing wonderful native Hawaiian music about the aloha spirit is sufficient. Labor we must!

Creative vision, dedicated effort and moral energy are needed to create self-employment and family micro enterprises and to access capital for productivity and growth. Such are the paths to genuine self-reliance and empowerment so that poor islanders of Oceania may control their own destiny.

References

1. David O. McKay, Gospel Ideals (Salt Lake City: Improvement Era, 1953) pp. 91-92, 96.
2. Ezra Taft Benson, Teachings of Ezra Taft Benson (Salt Lake City: Bookcraft, 1988) p. 66.
3. Howard W. Hunter, "The Gospel—A Global Faith," Ensign, 21 (November 1991) pp. 18-19.
4. 1997-1998 Church Almanac (Salt Lake City: Deseret News 1996) pp. 527-530.
5. Brigham Young, Journal of Discourses, 9:138.
6. Human Development Report 1994 (New York: Oxford University Press, 1994) pp. 163-165.
7. Trends in Developing Economies (Washington, D.C.: The World Bank, 1995) pp. 187-191.
8. Associated Press. "Islanders Alert Earth Summit to Rising Oceans," The Salt Lake Tribune, June 25, 1997, p. A-9.
9. Trends in Developing Economies (Washington, D.C.: The World Bank, 1995) pp. 422-426.
10. "French Polynesia: Booms and Busts." The Economist, April 18, 1992, p. 32.
11. Joseph F. Smith, "The Truth About Mormonism," Out West, 23, 1905, p. 242.

12. Much of the material in this section of the paper is derived from searching the Internet.
13. For example, the informal economy of Peru in the 1980s made up 48 percent of the working population and 61 percent of all labor hours. It contributed some 39 percent of the GDP, and is expected to rise to over 60 percent of the GDP by the year 2000. See Hernando de Soto's The Other Path (New York: Harper & Row, 1989) pp. 1-15.
14. Information on the Grameen micro credit system of village banking is described in Andreas Fuglesang's Participation as Process—Process as Growth (Dhaka, Bangladesh: The Grameen Trust) 1995.
15. For details, see James W. Lucas and Warner P. Woodworth Working Toward Zion: Principles of the United Order for the Modern World (Salt Lake City: Aspen Books, 1996) pp. 195-227.
16. Microcredit Summit: Council of Practitioners/Institutional Profiles (Washington, D.C.: Results Educational Fund, 1997), p. 168.
17. Tonga Development Bank Report, Mission Statement, 1996.
18. Personal communication from bank official, Penisimani Vea, September 1997.
19. Rebecca Libanos Scoville. "Micro Enterprise Development Programs for Refugees in the US: What Strategies Most Effectively Facilitate Business Success?" (Provo: Brigham Young University Master of Arts Thesis, 1994) pp. 63-102.

20. Personal communication from Jeff Liew, Suva, Fiji, January 1997.
21. Personal communication from Meri Dinau Association, August 1997.
22. Fax from Peter Taylor, Manager, August 1997.
23. Ibid.
24. Information given by Miila Gena, Secretary of the Department of Home Affairs, Government of Fiji, August 1997.
25. Personal communication from Sereima Lomaloma, director of WOSED in Suva, Fiji, August 1997.
26. I. Getubig and others. Creating the Vision (Kuala Lumpur, Malaysia: Asian and Pacific Development Centre), 1997.
27. Joseph Smith, Jr. Teachings of the Prophet Joseph Smith, compiled by Joseph Fielding Smith (Salt Lake City: Deseret Book, 1977) p. 366.
28. Data cited in Susan Higinbotham Holcombe, Managing to Empower: The Grameen Bank's Experience of Poverty Alleviation (London: Zed Books, 1995).
29. John Taylor, Journal of Discourses, 15: 169.
30. John A. Widtsoe, "Evidences and Reconciliations," Improvement Era, Vol. 43, October 1949, pp. 633-34.
31. For further details on these features see Lucas and Woodworth, op cit, pp. 213-23 and pp. 223-26.
32. Joseph Smith, Teachings of the Prophet Joseph Smith, op cit, p. 313.
33. Wilford Woodruff, Journal of Discourses, 20:165.

34. Brigham Young, Journal of Discourses, 12:288-89.
35. Brigham Young, Journal of Discourses, 19:46-47.
36. John Taylor, Journal of Discourses, 20:165.
37. Joseph F. Smith, "The Message of Latter-day Saints on Relief for the Poor," Improvement Era, Volume 10, August 1907, p. 80.
38. Lorenzo Snow, Journal of Discourses, 19:349.
39. George Q. Cannon, Journal of Discourses, 18:105, 107.
40. John Taylor, Journal of Discourses, 19:308.
41. George Q. Cannon, Journal of Discourses, 23:281-82.
42. Ezra Taft Benson, Teachings of Ezra Taft Benson (Salt Lake City: Bookcraft, 1988) p. 123.

Michener, James A. Hawaii.

10

The Evolution of the Informal Economy Through Bolivian Style Micro Credit

Ryan McKeehan

The countries of the Third World have been plagued with financial insolvency and the inability to heal themselves. Governments fraught with corruption, abuse of Third World natural and labor resources by the First World, and an infrastructure that often cannot support its nation, all combine to enhance the suffering of the poorest of the poor. The world's primary answer to



this suffering has come in the form of numerous charities, humanitarian aid, and relief projects directed at mitigating suffering in various slices of the world. While many of these efforts have been effective in alleviating suffering in the short run, few have succeeded in making a meaningful difference in the long-term lifestyle of those who suffer.

There are 1.4 billion people on this planet who live in absolute poverty. Absolute poverty is by definition an annual income of less than \$500. This kind of poverty accounts for almost one out of every four human beings on Earth (Lucas & Woodworth, 1996). Many of these poverty-stricken people respond to their lack of employment opportunities, job security, and a stable economy, by becoming a contributing part of the ever growing informal economic sector. This economy consists of “black market” sales of goods and services. The informal sector is fat with underground, unregistered, unregulated, nontaxable, entrepreneurial endeavors. These businesses might include vending fruit on the street corner or constructing furniture out of

crates discarded by firms in the formal sector. Whatever their enterprise may be, individuals, families, and neighborhood groups, grapple to subsist.

People Estimated to Be Living in Absolute Poverty		
Region	Millions of People	Share of Total Population
Middle East/North Africa	75	28%
Latin America/Caribbean	150	35%
Former USSR/Eastern Europe	165	28%
Sub-Saharan Africa	325	62%
Asia	675	25%
World Total	1.4 billion	23%

Table taken from *Working Toward Zion*

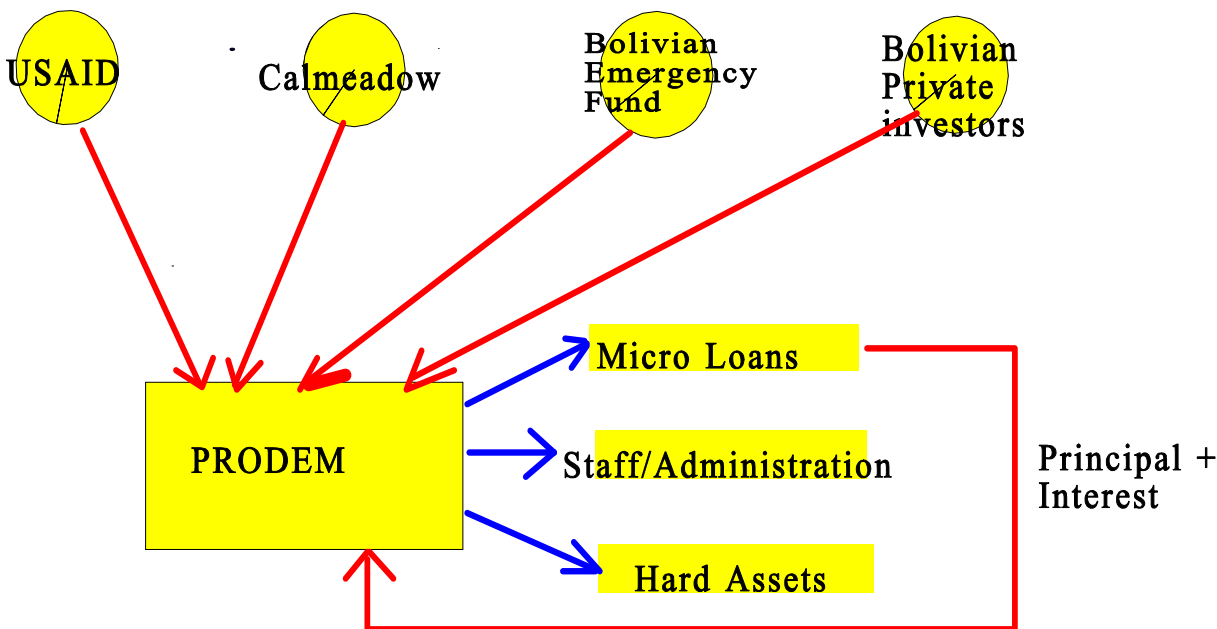
According to the Chicago Tribune (1996), Maria Quisbert of El Alto, Bolivia, has stocked her chicken and sausage stand on consignment from a local loan shark at 10 percent interest each day. Whether a vendor, cobbler, repairman, potter, or seamstress, locals often have no choice but to borrow at these astronomical rates. They need money to survive, to support their small scale businesses, and to feed their families. Unfortunately, loan sharks are often the only answer. This answer, however, usually leads to increased debt. Maria Otero (1995), Executive Vice President of ACCION International, testified before the United States House of Representatives, "Too often [the poor's] only source of credit is the moneylender who may charge ten percent a day. Paying these outrageous rates, the microentrepreneur is often

continually in debt and is unable to accumulate any capital.” It is under these oppressive conditions that many of the world’s poor scrape out a meager subsistence. This economic trap of indentured servitude is more than any human should have to bear.

PRODEM

To rectify this situation, several Non-governmental Organizations (NGOs) have implemented micro lending programs throughout the world. One of the most successful and large scale lending programs for microentrepreneurs, has been the creation of a Bolivian private commercial bank that specializes in lending to the poor. In 1984, an NGO known as ACCION International, based in Massachusetts but active throughout Latin America, recruited influential Bolivian businesspeople to lead an effort for microentrepreneur development. These Bolivian elites became the board of directors for PRODEM, (Fundacion para la Promocion y Desarrollo de la Microempresa) an NGO jointly launched, in 1986, by these Bolivian leaders and ACCION international. The Bolivians provided the seed money, local leadership, local contacts, and influence with the Bolivian government. ACCION International provided the technology and the methodology for the program (Glosser, 1994). In an effort to improve the lives of people in a country where so many suffer, these two groups worked together to establish goals and policies for PRODEM. The intent of PRODEM was to allocate monies in a way that would actually reach the Bolivian people at ground level. It was a program developed to serve the poor in a manner that would make a lasting difference in their lives. Maria Otero(1996) succinctly expresses the mission of micro lending, “Indians in this country get bad service and disrespect . . . We tell them we trust them. We make their word a guarantee. No matter how small their project is, selling lemons or collecting old bottles, we listen and call them madam or sir”

Mapping the Flow of PRODEMS Capital



(Goering, 1996).

PRODEM offered Bolivia's poor access to credit and training. The credit came in the form of small short term loans, and the initial funding for the loans, came from several outside sources. The U.S. Agency for International Development (USAID), the Bolivian Social Emergency Fund, the Bolivian private sector, and the Calmeadow Foundation all contributed to PRODEM's creation (Glosser, 1994). By 1988, PRODEM opened an office in a city where many urban poor resided. PRODEM's loan officers recruited microentrepreneurs off the streets to take advantage of this opportunity to borrow money at better rates, which would enable them to expand their businesses. Traditionally the poor are seen as a bad credit risk and not worthy of loans. Up to this point, with no access to traditional financial institutions, the poor could only turn to the local loan shark for aid, but they were now presented with another option. PRODEM offered short-term micro loans at reasonable rates. With initial highly successful pay back rates

on loans, PRODEM was able to gain access to more funds and larger grants. In 1989 a second office was opened and by 1991 PRODEM had four offices and a portfolio of about \$4 million. PRODEM was able to generate increases in its portfolio through subsidized loans, income from lending, and donations. In 1988 PRODEM also created a mandatory 5 percent savings plan for each borrower which was used to increase its portfolio (Glosser, 1994). With this new set-up, the people were able to use loans to grow their micro businesses. The micro lending program provided them with the working capital to develop and expand. Expansion of local businesses provided more jobs for family members and others in the community. Those who were able to gain access to the loans were provided the opportunity, through hard work, to substantially increase their meager lifestyle. This increase in lifestyle often meant that the family could eat two meals each day.

Because the demand for micro loans was so massive, (PRODEM was filling less than 2 percent of the demand for micro loans in Bolivia) (Smith, 1997) the administration realized that they would never be able to expand at the rate they desired while operating as an NGO. PRODEM's NGO status legally limited the banking services that could be offered to its clients. The board of directors also felt that the only way to meet the demand for micro loans was to shift to a market-driven methodology in its micro lending. In order for PRODEM to accomplish its goal for substantial growth, it had to safely navigate several obstacles. First, it had to generate funds to augment its loan portfolio. PRODEM also needed to be able to cover its operating costs until income from new loans could balance out their debt. Furthermore, PRODEM's leadership realized that donor aid was exhaustible, and could not be counted on for the continuous financing of operations. The type of aggressive program envisioned by PRODEM'S leadership required a

stable source of income. To meet the overwhelming demand for micro credit, a self-sustaining organization had to be developed. The only way to accomplish PRODEM's objective was to gain access to more traditional types of funds including large scale client savings, commercial debt, shareholder investment, and loans from the Central Bank of Bolivia (Glosser, 1994). Only through these types of financial sources could massive expansion occur. In order for PRODEM to rapidly reach significantly more people, they needed to gain access to the world's market, rather than the world's charity.

In order for the directors to accomplish their goal of expansion, they decided to explore the possibility of creating a bank. The bank's primary purpose would be to serve the poor. The bank would also legally allow them to capture the funds required for rapid expansion. Funds could be generated from client savings accounts that would act as capital for expansion and at the same time offer a wider range of services to the customers (Glosser, 1994). Savings, as well as credit, are an essential part of development. People who cannot gain access to traditional financial institutions, because they lack the literacy to fill out lengthy application forms or the minimum deposits for savings accounts, need a place to put their money. They too would like to have savings for a time of financial crisis. In a country where the inflation rate is between 10 and 20 percent, the poor, more than anyone, need a secure place where their money can draw a reasonable rate of interest. (Glosser, 1994). The devaluation of their money could be notably reduced by providing a greater variety of services. As a bank, PRODEM could also offer loans for "investment capital, housing, and education; term deposits; and dollar accounts" (Glosser, 1994). As an NGO, PRODEM was restricted from such activities.

While things like housing and education seem like basic human rights to those of us who

enjoy the luxuries of the First World, they are in fact, human rights not enjoyed by much of the Third World. Education, food, clothing, and shelter, all contribute to our sense of self-worth, yet many people lack these basic necessities. No person should have to live in these often subhuman conditions. PRODEM's solution to these inhumane conditions came in the form of a bank.

COBANCO

With these issues in mind, PRODEM's board decided to set up a for profit bank to serve the needs of the poor. The directors knew there had been other successful micro lending ventures around the world. They took inspiration from the Grameen Bank in Bangladesh, which has more than 2.2 million clients, according to the bank founder, *Muhammad Yunus (1997). Other successful examples of micro lending programs exist in the Bank Rakyat Indonesia (BRI), Bank Dagan Bali in Indonesia, and the Hutton Bank in Sri Lanka. Each of these establishments has been effective in providing banking services to the destitute. With the resolve to create a financially viable institution for Bolivia's impoverished, PRODEM's board of directors formulated a committee to carry out the transformation from a nonprofit NGO to a for profit bank. The committee was called COBANCO, (Comite Promotor del Banco para la Microempresa) (Glosser, 1994) and its task was to create a financially sound bank which would serve the masses of the poor.

With financing from ACCION International, Calmeadow Foundation, and PRODEM's Board, COBANCO was given the charge to produce a feasibility study, promote the project among potential national and international investors, gain approval and legal registration, haggle with donors for a transferal of funds from PRODEM to the bank, and design the operating

procedures for the bank (Glosser, 1994). PRODEM's board, made up of influential locals, was able to leverage their influence in the community, and with local government officials, which enabled them to push the bank through stringent regulations. Superintendencia de Bancos (SIB), the nation's banking regulatory body, monitored COBANCO's design for operations very closely because no bank of its kind had ever been established. The bank was also closely scrutinized because it had international as well as local investors. It was attractive to international investors because it provided a mix of social merit and profitability. Nothing attracts international investors like feeling good and making money. Once this idea caught on, the Inter-American Investment Corporation (IIC) joined the ranks, soliciting investors and lending technical expertise. With the IIC's support came an international legitimacy among investors (Glosser, 1994).

International legitimacy and investors were not all COBANCO had on their collective mind. COBANCO's design for the bank would also affect the lives of those working for PRODEM. PRODEM and the bank would be very closely linked and it would require a mutual effort in order to succeed. COBANCO needed to be sensitive to the staff's concerns because many of them would be transferred to the more conventional bank environment. In order for the bank to succeed it would require a high level of synergy between the newly established bank and the NGO employees.

The role of PRODEM would be significantly altered with the creation of the bank. It would act more as a support system, and would use its funds, generated from donations, to develop rural credit programs. PRODEM would also finance the research and development of financial products for the bank. Furthermore, it would manage currently operating offices and

open and operate new offices until they became profitable. When the branch office's client base had grown to a substantial level, achieving profitability, it would be sold to the bank. Donor funds through PRODEM would also cover the costs associated with training and development (Glosser, 1994). The bank could further reduce its dependence on government loans and donor assistance by having PRODEM sell a large chunk of its portfolio to the bank in exchange for shares that would pay dividends to PRODEM as the bank became profitable and moved into the black. This portfolio transfer would provide the bank with a substantial amount of start-up monies and almost 20,000 instant clients. These 20,000 clients would furnish the bank with the largest numerical client base in the country (Glosser, 1994). COBANCO decided that the bank must create an interest rate policy that would allow them to cover operating costs. COBANCO eventually decided to charge 4 percent a month (PRODEM's current rate at the time) for the first year with a flexible interest rate thereafter. COBANCO was severely criticized at times for opting to charge such a high interest rate. Some investors claimed that such high rates were not congruent with the mission of the bank. COBANCO argued that the bank would be unique in the sense that they had much larger costs associated with processing so many small loans and training clients about credit and pay back methods. The bank would also now be paying commercial rates on loans it received rather than acquiring monies through donations. The bank would need management, security systems, and technologies previously not needed as an NGO (Glosser, 1994). Although interest rates would be high in comparison to other commercial banks, they would still be much better than the rates offered by moneylenders and qualification for loans would be less rigid than at traditional financial institutions.

SOLIDARITY GROUPS

The loan qualification process was unique in the sense that there was very little paper work and that loans were given to groups rather than individuals. These group lending programs have three goals. First, they strive to serve the poor. Second, they aim to help the poor attain self-sufficiency, thus eliminating further need for charity. Finally, group lending strategies seek to reach large numbers of the world's poor in order to aid in the alleviation of suffering (Berenbach & Guzman, 1994). The team of clients receiving a loan are known as "solidarity groups." Although individuals, they act in concert as a support network for every other member of the group. Each member of the solidarity group encourages their cohorts' timely repayment, and is in fact, responsible for every other group member's debt. The solidarity groups have access, through the bank, to professional consultants who help build on micro business ideas. Basic economic and budget training is also available to, and in many instances required of, the bank's customers.

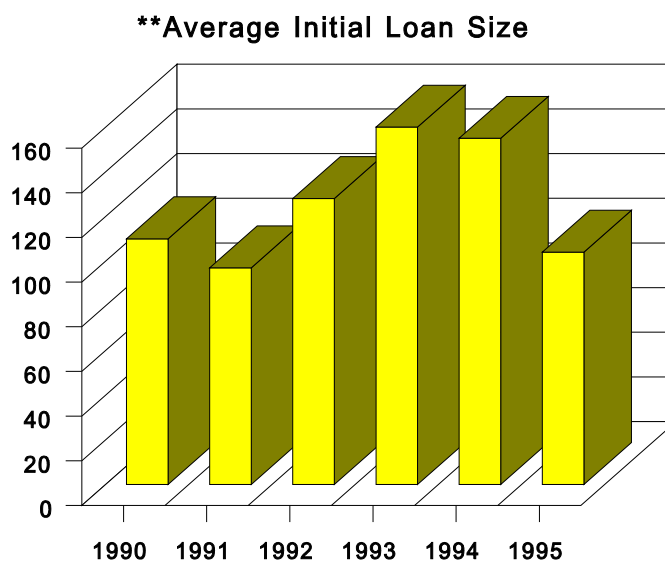
Traditional financial institutions consider the poor a bad investment. The poor are deemed not credit worthy because they lack the collateral, cosigners, education, and earning potential to repay loans or build a successful business. It is also considered not in the best interest of the traditional financial institution to lend to the poor, because they usually seek smaller dollar amounts. This significantly increases administration cost and requires loads of paperwork. Thus, returns are not high enough or risk adverse enough, to make it worth most commercial bank's time and effort to lend to the poor.

Group lending is the solution to many of these problems. Group lending reduces the

credit risk by having several people guarantee each loan. It also reduces the administrative cost per borrower because the loan is given to the group as a whole. Solidarity group peer pressure acts as a positive stress on group member repayment and is effective in deterring loan default because all members are responsible for the entire loan (Berenbach & Guzman, 1994). Group lending is also effective in reaching more households and therefore has a positive impact on more lives. In most instances, no more than one family member can be part of the same solidarity group. This helps to insure a low default rate and allows the money to be spread throughout the community.

Solidarity groups are being used in various micro lending programs throughout the world with tremendous success. Microentrepreneur programs involving solidarity groups have been proven time and again to be effective. According to First Lady, Hillary R. Clinton (1995), “It’s called micro but its impact on people is macro.” Through these groups, economically active neighbors and communities help each other attain a better long-term lifestyle.

The solidarity group methodology focuses on making available credit, training, and organizational building systems (Berenbach & Guzman, 1994). Group members must have some sort of pre-existing micro enterprise to qualify for a loan (Chen, 1997). The majority of these self-selecting group members are women with little or no training (78 percent of the banks current loans are allocated to women) (Chen, 1997). The group size is usually between three and ten members. Self-selection is imperative to success because group members share responsibility for the loan. It is important to the group to select people who are responsible and hard working because their success is dependent on one another. Group members decide how much each member will



need and request a loan for the total amount. The credit will be approved and lent to the group as a whole. The initial loan amounts are small and payback time is short (As of November 1995 there was an \$80 minimum on loans, the average initial loan size was about \$110, and payback time ranged from one to twelve months) (Chen, 1997). Upon repayment, the group may take out larger loans for extended periods of time to build their creditworthiness and expand their business (the average 1996 loan size was \$617) (Chen, 1997). The loans may continue to grow larger until the person's business is substantial enough, and the person's credit is strong enough, to be transferred to a traditional financial institution. The goal is to help members of the solidarity groups out of the informal, and into the formal, economic sector. Solidarity groups are also responsible for collecting outstanding loans from all group members. Furthermore, no member may receive additional loans until the previous group loan is paid in full.

Paulina has sold pants at a clothing stall in the La Paz market since 1965 to support herself and her family. She joined the PRODEM program and BancoSol in 1988 and has since received eight loans which have enabled her to buy larger amounts of material at lower prices. She now employs six people at her stand, and her profit has more than doubled. These women have used micro-loans in conjunction with their own expertise to increase their incomes, improve their living conditions and achieve a sense of personal dignity (Welcome to Bolivia, 1997).

The bank's loan officers and staff, work out in the community, often meeting their clients at their places of business. This helps loan officers to understand business conditions, become familiar with members of the solidarity group, and cut down on transaction costs for the borrower. Because loan officers work in the community, they may visit clients each day. This impresses the importance of on-time loan repayment. Moreover, timely repayment is rewarded with immediate approval of larger loans (Berenbach & Guzman, 1994). In most instances, late payments are socially unacceptable, and not considered an option. Many people are used to repaying loan sharks on a daily basis. This aids in making late payment on legitimate loans negligible. If a personal financial crisis should arise, a group member may make their payment by using money from personal savings accounts or group emergency savings accounts that are set-up for just such occasions (Berenbach & Guzman, 1994). Timely and full repayment has not been a problem in most micro lending programs that use solidarity groups. Most, in fact, can

boast a substantially smaller percentage of loss on loans than traditional financial institutions.

With the principles behind solidarity groups firmly in mind, PRODEM was able to focus on seeking investors for the bank and jumping through the legal hoops necessary to formalize into a bank; (this was a lengthy process and one that was highly scrutinized by the Bolivian officials). PRODEM put time, effort, and money into preparing its employees, especially the loan officers, for the transition. For some, going from a non profit organization to a for profit organization was a difficult shift in ideology. PRODEM wanted to make sure its employees believed and understood that the new bank would still be an institution for the poor. They invested heavily in educating their staff on their objectives. The board knew that if the loan officers, who were such an integral part of the community, did not believe in the bank, then clientele would dwindle. Their time and money turned out to be well spent. When BANCO SOLIDARIO, S.A. (BancoSol) opened its doors in February 1992, as a formal financial institution for the poor, employees embraced this new formalized system of dispersing loans. In spite of several challenges, the newly realigned labor forces combined together to create a system which would not only be financially viable but would also serve the needs of those who suffer.

BancoSol

“Microenterprise credit stands at the threshold of being an effective and massive attack on world poverty.” Statements like this one, given by Michael Chu (1995), CEO of ACCION International and former Wall Street mogul, are becoming more commonplace as the positive effects of micro lending proliferate throughout the globe. Wiping out poverty is not the only reason business people seem to paying more attention to micro lending. It is simply good business, even by Wall Street’s standards.

As of November 1996, it (BancoSol) had a loan portfolio of U.S. \$43.1 million,

with more than 69,900 loans outstanding and about 50,000 savings deposit accounts. BancoSol is now financially sustainable: interest income pays its full operating and financial expenses. Under the prudential supervision of the Bolivian authorities, it has funded the expansion of its operations by capturing commercial loans and deposits from the public. As long as its current policies continue, BancoSol can look forward to increasing the outreach of its financial services for the foreseeable future without relying on scarce and undependable donor funds (Chen, 1997).

BancoSol also boasts an average annual growth rate for its loan portfolio of 182 percent. Its interest rate ranges between 52 and 55 percent in bolivianos, (31 percent in U.S. dollars) for group loans. The bank does not issue any individual loans. BancoSol has virtually no delinquency payment problems. Zero percent of their loans are overdue after 90 days. BancoSol's loan repayment rate is more than 99 percent (Cristen, Rhyne, Vogel, & McKean, 1993). In 1995 Maria Otero testified before the House Committee on International Relations, "BancoSol in Bolivia, converted from an NGO to a bank three years ago. Today BancoSol serves more clients—over 62,000—than the rest of the banking sector combined in that country. Its loans are as small as \$80 and its losses have never reached 1 percent." Furthermore, she testified that, "The superintendency of banks in Bolivia published the return on assets of all banks in the system. BancoSol holds first place, demonstrating that lending to the poor cannot only cover its costs but can be financially profitable" (Otero, 1995). While microenterprise credit is generally heralded for its social impact, it should be equally recognized for its economic feasibility. Micro lending is not only socially responsible, but it is monetarily profitable. "The loan portfolio of the enterprising poor in Latin America has a better risk profile than the yuppie credit cards that have been securitized in the U.S. financial markets" (Chu, 1995).

Challenges for BancoSol

Growth is the chief concern for BancoSol. Central to BancoSol's ability to grow, was the transferal of funds and clients from PRODEM. In 1992, with the benefit of PRODEM'S portfolio transfer, BancoSol launched an aggressive campaign for rapid growth. This rapid growth came mostly in the form of branch office expansion. In the four years between 1988 and 1991, PRODEM had only opened four branch offices. In sharp contrast, BancoSol had expanded to 32 offices between 1992 and 1995. With this kind of growth came the headache of contentious recruiting, hiring, and monitoring of new staff. This slowed overall output and productivity. Furthermore, new branch offices, were unable to grow the number of new clients at the same rate in which they were expanding. As a consequence, the cost per loan and the total portfolio suffered. During this lag time, BancoSol's expenses were mounting because the new offices were not yet operating at full capacity (Chen, 1997, March 27).

BancoSol was able to counteract this downturn by increasing its average loan size and terms to maturity, while at the same time keeping their interest rate at a consistent level. This strategy benefitted BancoSol in two ways. First, larger longer-term loans enabled them to amplify interest income without the added operating cost of issuing additional loans. Second, BancoSol was able to remain faithful to its mission of serving the poor by keeping its interest rates at the same level in a financially turbulent period. While some of these larger loans did go to first-time clients, BancoSol soon realized that larger loans should primarily be given to repeat customers with more mature businesses. The increase in loan size and length of maturity, yielded the benefits the bank had hoped for. Through the use of these tactics, BancoSol was able to cover the expenses associated with swift expansion.

BancoSol also experienced some growing pains when trying to integrate the relaxed ideological culture of PRODEM with the formal revenue driven atmosphere of a for profit bank. PRODEM treasured innovation, strong ideology, and a commitment to helping people. Investors and stake holders in the bank possessed a commitment to helping people too, however, they were also motivated by a solid return on their investment. With the formation of the bank, many former PRODEM employees joined the ranks of BancoSol. Former PRODEM staff along with newly recruited human resource managers, bankers, and financial experts were assimilated into a more structured management system (Chen, 1997). Under the new system, lines of authority were less ambiguous and generating revenue became a top priority. This integrated team of visionaries, financial experts, and ideologists combined to produce the most financially successful and morally justified bank in all of Bolivia.

I stand before you today to state that microenterprise credit, an activity first motivated by social impact, has been proven to be absolutely economically viable . . . In many ways, microenterprise represents the triumph of pragmatism over ideology. It is a life line to the poorest of the economically active but instead of charity it is an investment in people's self-reliance (Chu, 1995).

Conclusion

BancoSol is a success story among so many Third World tragedies. BancoSol represents the hope for long-term positive change in the lives of millions worldwide. The activities that led to the creation, establishment, survival, and profitability of BancoSol are unique to its situation. However, replication of such programs can and do exist in many successful microenterprise programs, large and small, around the globe. Each of these programs varies somewhat from the other, however, general principals of success can be applied in each situation. Several commonalities exist among successful micro-finance institutions. Autonomy in setting interest

rates is mandatory. This allows the institution to remain financially viable. Micro lending institutions should also offer several different types of services to its clients, savings being tantamount to credit. This aids in portfolio development and allows clients to draw interest on their money. Furthermore, sound leadership, expert technical assistance, and seed money are vital. Finally, micro-finance institutions cannot survive without a large client base (Boomgard & Angell, 1994).

Notwithstanding all of the economics and principals of finance, trust in humanity remains the most significant, and often the most difficult, principal of microenterprise to replicate. Trust in the self-reliance and innovation of all people, even the poor, is essential to success. No human deserves to subsist in absolute poverty. No family deserves to be without hope. The answer to the long-term alleviation of human suffering seems to be, at least in part, within our reach. Self-respect, human dignity, and happiness are attainable realities for those who suffer. Just ask Maria Quisbert, who now owns her own meat stand, and the thousands of others just like her who have become self-reliant through access to micro loans from BancoSol.

Profits were low and “before the end of the month I was always worried,” the 30-year-old Aymara Indian and mother of four remembers . . . Then she found BancoSol . . . and borrowed \$100 at 2.5 percent a month . . . Several loans later, her busy stand sports a freezer and meat slicer, and she always pays cash for her chickens . . . Life has improved “bastante,” she says — a lot . . . Her kids now have milk to drink and meat to eat regularly. When they’re old enough, there’ll be money for school (Goering, 1996).

*This quote has been taken from a speech at Brigham Young University given by Dr. Muhammad Yunus on November 13, 1997.

**All figures are in U.S. dollars. Data for this graph was taken from *The Challenge of Growth for Micro-Finance Institutions: The BancoSol Experience*.

Timeline of Events

1984	ACCION International recruits influential Bolivians who serve as board of directors.
1986	PRODEM created by Bolivian leaders and ACCION International, funding from USAID, Social Emergency Fund of Bolivia, Bolivian private sector, and Calmeadow Foundation.
1988	PRODEM opens first office in El Alto, Bolivia. PRODEM requires 5% savings on each loan.
1989	PRODEM opens second branch office.
1990-91	PRODEM opens four offices and portfolio reaches \$4 million. COBANCO formed to make the transition from NGO to bank.
1992	BancoSol opens to the public. BancoSol gains access to commercial funds from private sources. PRODEM sells a large part of its portfolio to BancoSol in exchange for shares. PRODEM transfers 20,000 clients to BancoSol.
1995	BancoSol has more than 62,000 clients, this is more than the rest of the banking sector in Bolivia combined. Losses have never reached 1%. BancoSol has 32 operating offices.
1996	BancoSol's loan portfolio is at \$43.1 million. It has over 69,900 loans outstanding and about 50,000 savings deposit accounts. BancoSol is financially sustainable, interest income pays operating and financial expenses. As of November 1996, the average outstanding loan balance is \$617. 78% of BancoSol's clients are women.
1997	Banco continues to be self-sustaining, and continues to increase its outreach for the foreseeable future without relying on undependable donor funds.

Reference List

- Berenbach, S., & Guzman, D. (1994). The Solidarity Group Experience Worldwide, The New World of Microenterprise Finance: Building Healthy Financial Institutions for the Poor (pp. 119-139). West Hartford, CT: Kumarian Press. (Edited by M. Otero and E. Rhyne)
- Boomgard, J., & Angell, K. (1994). Bank Rakyat Indonesia's Unit Desa System: Achievements and Replicability, The New World of Microenterprise Finance: building Financial Institutions for the Poor (pp.206-228). West Hartford, CT: Kumarian Press. (Edited by M. Otero and E. Rhyne)
- Chen, Greg. (1997). The Challenge of Growth for Micro-finance Institutions: The BancoSol Experience. <http://www.worldbank.org/html/cgap/note6.htm>. 1997, March 27 (14 November 1997).
- Christen, R., Rhyne, E., Vogel, R., & McKean, C. (1993). Analysis of 11 Micro-Finance Institutions. <http://titoc.soc.titech.ac.jp/titoc/higuchi-lab/icm/11credit-inst.html>. 1993 (14 November 1997).
- Chu, M. (1995). Microenterprise Finance. Capitol Hill Hearing before the House Committee on International Relations.
- Glosser, A. J. (1994). The Creation of BancoSol in Bolivia, The New World of Microenterprise Finance: Building Healthy Financial Institutions for the Poor (pp. 229-250). West Hartford, CT: Kumarian Press. (Edited by M. Otero and E. Rhyne)
- Goering, L. (1996, February 4). Good faith bank loans raise peasant's hopes: Trust pays off in new entrepreneurs. Chicago Tribune, sec. 1, p.4.
- Lucas, J. W., & Woodworth, W. P. (1996). Working Toward Zion: Principles of the United Order for the Modern World. Salt Lake City, UT: Aspen Books.
- Otero, M. (1995). Microenterprise Finance. Capitol Hill Hearing before the House Committee on International Relations.
- Smith, Anne-Marie. (1997). BancoSol: Crossing a bridge between NGO and Commercial Bank. <http://www.worldbank.org/html/cgap/newsltr3/bancosol.htm>. 1997, January (14 November 1997).
- Welcome to BOLIVIA-BancoSol. (1997). <http://www.devcap.org/sedf/bolvia.html>. 1997, June (14 November 1997).

11

The Mapuche Indians of Chile: Urban and Rural Strategies for Development

Eric Lewis

This chapter introduces the needs and problems of the indigenous people of central Chile and concluding with a program for development that addresses microenterprise solutions for the urban and micro credit and agrarian reform for the rural areas.

Chile is home to more than 13 million people, spread vertically down the western coast of South America. The country is broken down into twelve geographical regions that run vertically, with Region I being the furthest north and Region XII being the furthest south, extending to the tip of the continent. In addition to these twelve regions is the Metropolitan Region which encompasses the greater city of Santiago, the nations's capital. Almost half of all Chileans reside in the Metropolitan Region, and one in ten of these residents is a Mapuche Indian. Until the 1930s, the Mapuche primarily inhabited the VIII and IX regions. In recent decades, however, there has been a mass exodus to the Metropolitan region of Santiago, as poverty stricken Indians attempt to maintain their livelihood. By 1992, almost half of all Mapuche Indians lived in Santiago (Haughney & Mariman, 1997, p.2-3).

When the poor in Chile are categorized by ethnicity, the Mapuche Indians are the poorest of all. What is life like for the "poorest of the poor" in Chile? The poorest 10 percent of Chile's population makes an average of \$37 U.S. dollars each month, slightly more than a dollar a day. This group receives only 1.7percent of the Gross Domestic Product (GDP). In stark contrast to

Chile's poor, the richest 10 percent of the country receives 40.8 percent of the GDP. Of Chile's 13 million people, more than 4 million of them average a monthly salary of under \$200 U.S. dollars. In 1970, less than 20 percent of Chileans lived below the poverty line. By 1990 that figure had risen to 40 percent (Thomas & Taylor, 1997).

THE MAPUCHE: FROM DOMINEERING TO DOMINATED

In the pre-Colombian age, there was only one indigenous tribe that withstood attacks from the vast Inca Empire, the Mapuche Indians. Their territory of that time covered all of modern-day Chile and much of Peru and Argentina, as well. Later, when the Spanish conquistadores arrived in the New World, every tribe succumbed to their horses and guns except the Mapuche. The Mapuche were never conquered by the Spanish. However, more than a century later, the Mapuche agreed to live in an area of 24.7 million acres, now known as the "Territorio Mapuche Ancestral," or Traditional Mapuche Territory, the central region of Chile.

In 1883, the Chilean government claimed all of what is currently Chile as federal land. By 1929, the Mapuche Indians had been parceled out to 3,000 reservations spread over a total of approximately 1.3 million acres. Fifty years later, the size of Mapuche lands was again reduced by the Chilean government to 825,000 acres. In the 1980s, the government divided and dislocated several thousand more Indians, leaving the entire indigenous population on a land mass of around half a million acres (Thomas & Taylor, 1997).

The term "Mapuche" is a general name for all indigenous peoples in Chile. The Huilliche, the Lafquenche, the Nagche, the Huenteche, and the Pehuenche are tribes within the career Mapuche ethnic group. Most Mapuche Indians agree on one thing: "Without the land we

are nothing.” This phrase is a common saying in Mapudungun, the Mapuche language. The word “Mapuche,” itself, derives from two Mapuche terms: “mapu” and “che.” Mapu means “land” and che means “man.” Thus, the Mapuche are literally “men of the earth.” For centuries they have been completely dependent on the land for their substance. Since the 1500s, however, the Mapuche have been asking themselves what the foreigners will take away from them next (Breslin, 1989, p.42).

The Problem of Large Megaprojects

Hydroelectric Dams.

For example, Chilean and foreign corporations have launched huge power projects that relegate the Mapuche to the position of mere pawns in multinational game planning. The most current and pressing problem facing the Mapuche lands are the megaprojects planned by those large corporations. The Empresa Nacional de Electricidad y Sociedad Anónima (ENDESA), a privately held Chilean electrical utility, was commissioned five years ago by the government to build Pangué, a gigantic hydroelectric dam along the Bío Bío River in the lands of the Pehuenche tribe. Against strong protest from indigenous groups and local citizens, \$70 million in funding for the dam was given by the World Bank, along with \$28 million from the Industrial and Technical Cooperation Board of Sweden, and the Norwegian Agency for Development Cooperation (\$14 million). In addition to this financing, ENDESA was able to obtain over \$100 million in loans from almost a dozen different European banks. Since its completion in 1996, Pangué has irreversibly devastated the natural habitat of dozens of species of plants and animals, vital to the Mapuche people.

Several miles downstream from Pangué, another dam is scheduled to be built in 2002. This dam, named Ralco, will be far bigger and will carry a far greater impact on the environment and the indigenous peoples than did the Pangué dam. Ralco will inundate seven communities, 16 cemeteries, and 70 sacred Indian sites, totaling more than 65,000 acres and displacing over 10,000 Pehuenche Indians (Painiqueo, Larraín, Bustos, Aukiñ, 1997). The Pehuenche tribe will be the most affected by Ralco, those who are among the poorest people in all of South America. Seventy-five percent of the population lives in abject poverty. More than 30 percent are totally illiterate and more than 10 percent are severely malnourished (Guzmán, 1997).

Pangué and Ralco are only two of six dams to be built by ENDESA along the Bío Bío River, located in Chile's Region VIII. In the name of "national progress," giant transnational interests are systematically devastating the fragile economic system and the cultural mores of indigenous groups that are centuries old.

Discontent with the government's unwillingness to reduce ENDESA's power is not limited to the Mapuche Indians. Dozens of environmentalist groups and NGOs in the United States, Europe, and Scandinavia have issued formal complaints against the Chilean government. These organizations are not inherently pro-Mapuche but they are concerned about the destruction of natural habitat to facilitate a power plant that will produce a supply far in excess of foreseeable demand (Bengoa, De la Paz, 1997).

Forestry

ENDESA's hydroelectric dams are only one example of megaprojects that threaten the Mapuche people. Trillium Corporation recently received funds from Bayside Ltd. and Goldman Sachs, Inc. to harvest timber in Tierra del Fuego, the southern most tip of South America. Most

of this land has never been intervened upon by corporate or political aggression, but now more than 600,000 acres will be harvested to make wood products for export to Europe. The Chilean government has enthusiastically supported the project (Renace, Corporación, Gumucio, Guzmán, 1997).

Highways

Because of these and other megaprojects, the government now plans to build a large giant freeway from Santiago down through southern Chile. This freeway will pass through the largest Mapuche native communities, bringing increased modernization and the encroachments of the industrial world on the lands and simple traditions of the Maruche (Llancaqueo, 1997).

The Chilean Government Domination

Unfulfilled Promises

In 1993, the government of Chile passed the Ley Indígena, the Indigenous Peoples Law, that provided the way for the creation of The Corporación Nacional de Desarrollo Indígena (CONADI), an arm of the government itself. This institution was supposedly designed to fend for the interests of all Chilean indigenous people. But in April 1997, the country's president, Eduardo Frei, discharged Maricio Huenchulaf, head of CONADI for his outspoken criticism of the impending Ralco dam project. This precedent virtually abolished all hopes the Mapuche had for support from CONADI (Huenchulaf, 1997).

One month later, the Chilean government canceled the impending General Assembly of Indigenous Affairs that was to be held in Santiago, a conference of natives representing numerous groups from all of Latin America. This action appeared to be taken in light of

increased dissatisfaction by the Mapuche Indians. The conference was therefore moved to La Paz, Bolivia, because Frei said he could not guarantee the conference's security.

This three-day convention was to discuss the affairs of indigenous peoples from all over Latin America would have resulted in much criticism of the host government. In canceling the assembly without consulting the heads of the indigenous groups that were to present, the government broke a promise that it had made at the previous year's assembly (Huenchulaf, 1997).

Oppression

Making the economic hardships even worse for Chile's Indians has been the harassment by the Chilean government and by militant groups like the Chilean Anti-Communist Action. The Center for World Indigenous Studies has documented many indiscretions against the Mapuche. During the last several months there have been numerous killings, beatings, and unlawful imprisonment of members of Mapuche organizations such as the Association of Small Agriculturalists and Artisans (AD-MAPU) and the Lautaro Peasant Cooperative (Thomas & Taylor, 1997).

These actions are by representatives of over 300 years of conflict between the Mapuche and the Chilean government. At the hands of the government the Mapuche have been fought, slighted, overlooked, beaten and stolen from, in short, suppressed. The Mapuche as a whole still undergo today what political liberals, professors, poets, and other supporters of the ousted Allende government went through in the 1970s and 80s. That is, unwarranted human rights abuses such as police brutality, unlawful imprisonment and the disappearance or murder of key Mapuche leaders.

In the words of an anonymous critic, “Chile is today one of the most intolerant countries with respect to indigenous peoples, the environment, and free democratic opinion. Foreigners may be surprised at Chile’s increasing economy; but its income distribution is one of the most unequal in Latin America. It is an economic success that has now turned on indigenous territories and rights.”

Ragnar Olsen and Boine Persen may as well be describing the Mapuche in their poem about suppression entitled Recipe for a Master Race:

Draw boundaries on the map
 and call it the state
 be king minister
 protector and father
 send bailiffs and businessmen
 priests and soldiers
 to the people who own
 the land you take
 Use bible and booze
 and bayonet
 break promises and agreements
 be a diplomat
 use article of law
 against ancient rights

create prejudice

discrimination

and hate

Let no one question your authority

that's how you suppress a minority

Let language and culture

take their place in the museum

as a research object

and tourist attraction

give lively speeches

on each festive occasion

let it disintegrate and die

that which was a nation

Let no one question your authority

that's how you suppress a minority.

An Analogy

The Mapuche people can be likened to a boy that is always getting beat up. When he approaches his friends about his predicament, some offer to bandage his wounds and provide him nourishment. While he is grateful for this assistance, it provides only temporary comfort. Others promise to fight by his side the next time that the bullies come. Sadly, they realize there is only so much they can do against such powerful bullies. In the past, so friends have suggested

giving the boy guns with which to fight back. This of course will only make matters worse, since he is vastly outnumbered.

The ideal solution for this child would be to make him so strong and so powerful that no one would dare to disturb him. This may be the solution for the Mapuche, but such empowerment will not happen overnight. It must happen in one family at a time.

STRATEGIES TO ASSIST THE MAPUCHE

The Mapuche, while not widely recognized in the United States or Europe, are a well known group of people among South Americans, totaling today almost one million indigenous Mapuche people in Chile (Haughney & Mariman, 1997, p.2). Aid efforts targeted at aiding the plight of the Mapuche are in no sense what Thomas F. Carroll called for when he sought for “[a seeking out of] special, isolated pockets of poverty, or obscure tribes or constituencies.” The prominence of the Mapuche in Chile assures that if successful developmental efforts help them, these efforts will be replicable among other groups of Chile’s underprivileged (Bendahmane, 1991, p. 31).

In discussing strategies to further development among the Mapuche Indians, I will take three approaches. The first will discuss strategies for rural and agrarian development. The second will be directed toward those Indians that live in the urban areas scattered throughout southern Chile. Finally, I will discuss strategies through which both rural and urban communities of Indians can work with the Chilean government.

Rural Development

Needs

There are many non-profit organizations and/or non governmental organizations (NGOs) in Chile. In Santiago alone there are over 193 such groups. In the other regions there are some 161 (Fundación, 1995, p.6). The problem with these NGOs is two-fold. First, relatively few deal with development on a sustainable level. As discussed earlier, many of these NGOs are interested in Chile only because the environment is at risk. Others are distant, providing publicity over the internet concerning the injustices placed on the Mapuche. These actions are helpful on a macro-level, but over time, will such efforts will make a difference.

Many of the Mapuche cannot comprehend the national and global implications of big business and environmental issues, since their fundamental and more pressing need is sheer survival. The Mapuche require organizations that are willing to work with them on a micro basis, one meal at a time. To solve micro problems, one must prescribe micro answers: micro credit, micro farming, micro well-digging— all are possible answers for any one Mapuche family. With as little as monthly salary, many Mapuche families could start up profitable businesses: weaving clothing, working copper, or selling handicrafts. They could produce gardens that would sustain them for extended periods of time. This would allow them to put their income to work for them instead of eating every penny made the day before.

Many of the Mapuche who do own land cannot cultivate it because they have no money for basic tools. Mapuche farmers dream of digging additional wells in order to install irrigation systems that will facilitate the growth of, such crops as alfalfa. Others desire to plant trees such as cottonwoods and willows that will prevent erosion and also provide firewood. Many insist they could have a profitable business selling a local white rock called “toba”. No one has been

willing to lend them the funds necessary to mine the rock (Breslin, 1989, p.41).

Summarizing the needs of the Mapuche is very complex, and at the same time essentially quite simple. The problem is complex in that specific needs differ from region to region, from family to family, and from person to person. But it is also simple in that any hard-working, dedicated, entrepreneurial Mapuche would greatly benefit from a very small amount of money. Those who have invested in the livelihood of the Mapuche have seen how very little effort can change the entire course of a family or the destiny of a whole village.

Successful Enterprises

Examples of successful NGO efforts with the Mapuche Indians in rural areas, appear to be more common in Argentina than in Chile. The strategies used among the Argentine Mapuche can perhaps be replicated to aid those in Chile.

One organization that has effectively aid the Mapuche Indians in the Neuquen region of Argentina is the Inter-American Foundation (IAF), headquartered in Virginia. In the early 1980s, IAF staff realized that Indians living in very rural areas had only one place from which to buy seeds for farming and other necessities. These places, called “boliches,” were small stores usually located along major highways. Because these stores essentially monopolized the local markets, the owners, called “bolicheros,” were able to charge exorbitant rates (Breslin, 1989, 39).

Since 1982, the IAF has given more than \$600,000 dollars in grants to the Mapuche in the town of Colipilli, Argentina, issued in three installments. The first two served to purchase pick-up trucks and buy small plots of land. On this land the Mapuche built a cooperative store. The third portion of the grant helped to provide inventory for the cooperative stores, and to

finance a micro lending program to local farmers. This cooperative has empowered the Mapuche by moving them toward self-sustainability. Members of the cooperative are no longer subject to the price gouging of the bolicheros.

The direct benefit of these IAF grants to the Mapuche people has been calculated at \$25 per person per year for each of the 3,000 persons involved in the co-op. While this sum may seem insignificant, it has allowed 18 villages to lower collectively their cost of staples and agricultural supplies by more than 30 percent. In other words, for the price of a one-family apartment in San Francisco, California, eighteen entire communities have become virtually self-sufficient (Breslin, 1989, p.37-40).

Juan Huayquillan, a member of the Argentina cooperative said, “Outsiders could come and do whatever they wanted, like the miners, like the ranchers. Now, people in the government listen more to the Indian. These new houses we’re building with government assistance, the agricultural extension of services—we never got them before. It all comes because we organized ourselves”(1989, p.39).

Maybe the most important strides the Chilean Mapuche have yet to take are in the area of their self-image and the degree of their self-confidence. Patrick Breslin, the author of Interventions, said concerning his personal involvement in development work in Haiti, Colombia, and Chile, “Again and again, when people in such areas talk of how a project in which they participated has changed their lives, they will omit increased income, better food, and more material goods. They will say first that they feel more confident, that they can speak out where before they would have been too timid”(1989, p.39).

Urban Development

Needs. Many Mapuche Indians are forced to leave their homelands in the rural southern regions in favor of urban centers such as Temuco and Los Angeles, or to migrate even further by moving to Santiago itself. They feel that by obtaining wage employment they will have a greater likelihood of providing for their families. This is often an illusion because the high cost of living in Santiago and other urban centers actually lowers the standard of living for such people. An increase in modern conveniences such as public transportation and better building materials is often off-set by the crime, unsanitary conditions, and prejudices that abound in the slums of Santiago.

Indians coming from rural areas to urban areas encounter many challenges. Including the fact that even some do not speak Spanish. Those that do are often skilled in agrarian and rural capacities, but these may not be marketable in large urban centers. Inevitably, migrant Mapuches are forced to take manual labor jobs that afford a comparable or lower standard of living than that of their previous lines in the field. The only advantage might be that of a predictable cash flow, such as having routine meals. Most people in this type of situation, however, are unable to save any funds. So what they earn one day barely covers the expenses of the next—leading, therefore, a hand-to-mouth type existence.

Helping the urban Mapuche might be similar to strategies used to help people in any big-city slum of Latin America. The largest concerns are housing and education. With sufficient housing, today's problems may be met; with education, tomorrow's problems will be ideally eliminated.

Education is increasingly important as many indigenous families are forced to urbanize.

No longer are there traditional agrarian techniques and experience sufficient to provide for all. While many Mapuche do speak Spanish, those that do not have no real chance to improve their situation once they arrive in the city. Even those that do speak Spanish are looked down upon by urban Chileans. Since many people in Chile, especially in Santiago, are from European descent, those with darker skins are often subject to harsh prejudice, discriminatory hiring practices, lower, even illegal wage levels, and sweat-shop type working conditions.

Successful Housing Projects. The city of Santiago has recently begun to help those with little resources find housing, including the Mapuche. Thousands of apartment buildings called “blocs” have been subsidized by the government. These buildings units are roughly equivalent to the housing “projects” in New York City or Los Angeles. But in contrast to their counterparts in the United States, Chilean blocs are not particularly subject to high crime, drugs, or alcoholism. Most of the people who inhabit the blocs feel fortunate to have adequate housing. City officials work with the people in their blok to ensure cleanliness and safety. Many residents look back in disdain at their former life in the shanty towns and slums, where they barely subsisted, before they were accepted for a home in the blocs. They are very grateful for a “casa propria,” their own house.

While filling southern Chile with massive units of government-subsidized housing is not the answer to the housing problems of urban Mapuche, it is indicative of how the enormous lifestyle change that can come about when help is given. On a micro-level, one possible project for an NGO would be to visit some of the small urban centers of southern Chile. Undoubtedly, many of the homes, especially in the suburbs are makeshift, and poorly constructed. By cooperating with a scrap yard, or other donor, the lives of Indians would be vastly enhanced.

They would gain a new sense of self worth and accomplishment as they help build their casa propia.

The Media Casa. Of the variety of living conditions that exist in today's Santiago, the most demeaning is the "campamento", or squatters' village. To combat the disastrous sanitation problems of the campamentos, the government has necessity begun to construct "media casas", or "half houses". They tend to be three-sided, two-room edifices made of bricks, and each room is roughly four by four feet in size. One room holds a small kitchen sink embedded in a thin counter top, and the other holds a modern-day toilet.

The land surrounding the media casa is small, often extending only 5 to 6 feet from each of the brick walls. The space allotted for the future addition may be three or four times as much. The unit is then sold to the family for a nominal amount, well below the actual cost of construction. As owners, the family can then add-on to the media casa with whatever additional materials may be obtained or found. Some of the poorer indigenous people have little more than a lean-to adjacent to the brick bathroom and kitchen. While not very esthetically gratifying, the owners are usually pleased to at least have potable water and indoor plumbing. Many people add another small, one-room extension of wooden slats. When finished, the house looks like it has a brick chimney on the side. Some fortunate few, usually people with a long tenure in the home, are eventually able to obtain enough brick to finish the entire house so that it blends with the original structure.

While projects such as the media casa do not provide luxuries such as heat or electricity, the sanitation problem of the campamentos becomes virtually eliminated. More importantly, a family that obtains a media casa retains the equity in the home. Because of the limited number

of media casas, a completed edifice can be sold in the future for more than the amount of the original structure.

Media casas could be built in the large native towns of the VIII and IX Regions of Chile. Specifically, the city of Temuco would benefit immensely from such a project. Temuco is located in IX Region and is home to the highest number and concentration of Mapuche outside those of Santiago, a total of more than 100,000 Indians (Haughney & Mariman, 1997, p.2). Similar projects might also be feasible in the towns of Puerto Montt, Los Angeles, and Santa Barbara. Such programs would provide adequate sanitation for those who have migrated to the larger cities seeking a better life. Additional developmental benefits would be had from using Mapuche labor to build the structures and lay the plumbing.

Micro-farming. Another urban aid technique that has proven successful is micro-farming. First started more than a decade ago, micro farming involves developing miniature plots of city land, sometimes only 10 or 20 square feet, upon which high yield vegetables can be grown. The produce growth serves to supplement the diet of poor who live primarily on bread. Micro-farming also provides the caretaker with a sense of ownership, accomplishment, and ultimately happiness (Page, 1986, p.38, La Voy, 1987, p.45).

Micro-farming was started in Chile in the 1970s, when President Pinochet excluded Grassroot Support Organizations (GSOs) from sharing agricultural technology with peasants (Bebbington, 1991, p.25). One of the first organizations to side-step this decree was the Centro de Educación y Tecnología (CET) in Colina, Chile. This organization was formed by a group of citizens who decided to have agronomy students from the University of Chile meet, train and consult with them. Students in return, were able to collect data and experience for their

academic theses. In the last 20 years, CET has published manuals on micro-farming, gardening, and self-sustainment in poor urban areas (Page, 1986, 38-40).

The participants in micro farming projects are usually women and the satisfaction rate with the projects are very high. The women feel that they have made a valuable contribution to the family's diet and livelihood. They are also rewarded with a sense of accomplishment, innovation, and satisfaction at seeing the fruit of their labors.

Government Prospects

The fundamental issue between Chile's government and the Mapuche is the struggle over land. The government buys, sells, and exploits Mapuche land at will. Until recently, the Mapuche were ignorant of their rights. Because several international environmental groups have taken interest in the megaprojects that threaten the natural landscape of southern Chile, the Mapuche learned more about their legal options regarding land upon which the government is now infringing.

In light of the giant megaprojects that threaten to displace more Indians in the future, it has become necessary for the Mapuche to protest, sometimes forcibly, the actions and policies of the government and large corporations. Tensions between the government and the Mapuche are at an all-time high. Dozens of pages on the Internet urge people everywhere to write letters of protest to the Chilean government.

Ultimately, the Chilean government is the only body that can stop corporations like ENDESA from further domination and explorations. The best and cheapest way for the government to help the Mapuche is to respect their native lands, passing legislation to protect

prime hunting and farming land. It is ironic that Chile places a high priority on national lands for endangered species, but yet is unwilling to reserve land for its native citizens, the Mapuche.

Santiago de Chile. A major problem with government aid to the Mapuche is the sheer size of the capital city, Santiago. Almost half of the nation's entire population lives in the metropolitan valley of Santiago. It appears that a disproportionate amount of federal aid is absorbed by the high level needs in Santiago, ignoring the problems of more distant areas. The national budgets tends to overemphasize the needs of Santiago, while taxpayers in rural areas see little benefit from the payment of their taxes.

The final section of this chapter focuses on a prospective list comprehensive approach that could serve as a guide for an existing or new NGO startup that desires to serve the needs of the Mapuche in Chile.

Primary Objectives

The primary objective of any intervention program must be to meet the most basic needs of the tribal community. Defining which needs to be addressed is the prerogative of the Mapuche natives, not those providing the aid. Typical basic needs include:

- **Reliable Food Sources, Clean Water, Adequate Housing**

Limiting the definition of “needs” to native tribes like the Mapuche is simple in theory, but often difficult in practice. Outsiders attempting to provide relief may be tempted to “suggest” things that they perceive as useful in the community, but are, perhaps, not critical.

“Suggestions” are not limited to verbal advice and query. Making visible high technology (portable CD player, tape player, pager, cell phone) will only serve to whet the appetite of the natives for things that may not satisfy their basic needs. Once acquired, this appetite will be difficult, if not impossible, to satiate.

Secondary Objectives

In addition to meeting the basic needs of the Mapuche, an effective intervention strategy can provide some of Maslow’s higher-end needs with very little extra effort. Measures taken to foster such needs will result in greater self-confidence, an increased feeling of self-worth, and the desire to instill these attributes in future generations.

Brotherhood. Perhaps a more politically correct term would be “humankind,” or “peoplehood,” or “community.” At any rate, intervention plans must foster mutual interaction of individuals, neighbors, and families. The connection between the Mapuche and outside NGOs must be that of partners. As relationships are strengthened, the results of individual efforts will be augmented by the synergistic effect of teamwork. Significant successes then become sweeter, and setbacks are less bitter with the support of others.

Religion. Most Mapuche hold to their traditional, native beliefs as stewards of the land and followers of ancient spiritual beliefs held long before the arrival of conquistadores and priests. While religion is not a key facet of development, recognizing native beliefs will build trust between the Mapuche and NGOs involved with the development effort.

Rights. The Mapuche can greatly benefit much from a basic knowledge of their legal rights. By knowing their reservation’s agreement with the Chilean government and their basic

constitutional rights, they will have enough knowledge to prevent future oppressors from exploiting them. If injustices do occur, they will be aware enough to seek legal counsel.

Focusing on these types of higher needs is important for many reasons. First, any developmental structure without a foundation on these principles is destined to fail. If people feel or are, self-focused instead of community-focused, dishonest instead, incapable instead of capable, and dependent instead of independent, developmental improvement will not be sustainable.

That higher end needs are crucial is indisputable. When communities are determined, empowered, and united, they can accomplish much. When they are disjointed, fragmented, and self-centered, they will accomplish very little. How many business and organizational behavior books focus on specific new equations or detailed processes? Very few. How many focus on human behavior and models for improvement? Most. This is because human relationships are the key to success in business, NGO work, and in any successful organization. This aspect of development is the one that must be fostered, monitored, and support the most carefully.

Ineffective Strategies

Ineffective strategies refer to development programs that should not be considered as options for the Mapuche. A prime example of poor strategy would be the forced relocation of Mapuche natives or the insertion of huge won government and/or foreign interventions. Such efforts are harmful in several ways. They are determined by external powers; they harm area ecosystems; they disrupt indigenous cultures and traditions. Negative side effects might include promiscuity, alcohol, drugs, and other societal ills, such as broken families. Broken families

lead to single parents, abuse, and delinquency. These problems obviously hinder development.

The characteristics of ineffective strategies are as follows:

- **Temporary Solutions**
- **Complex and Sophisticated**
- **Only Address Someone's Wants, Not Local Needs**
- **Provide Short-Term Benefits**
- **Create Dependence**
- **Large, Macro Level Effort**

While some large projects have been successful, they too often create the above characteristics. For instance, a modernization project in the Río Sonora Valley of Mexico provided refrigerators, electricity, and flush toilets for many poor families. However, the quality of the electrical systems was poor. Every time the power went off, it took several days to be repaired. In the meantime, food in the refrigerator spoiled and toilets. A woman named Lupe said regarding the situation, "Everything is modern, but nothing works. It's Mexican style. We are better off without it." Another problematic example cited in the Wall Street Journal is a high-tech airport built in Tanzania, Africa. It was hailed as a monument to progress in Africa. The problem is most Tanzanians cannot afford to fly. Those who can often have their flights canceled because of fuel shortages. The author wittingly summarizes the developmental implications of such modernization: "Isn't there technology from the U.S., Europe, or Japan that would be of more value to the average Tanzanian than a video-display monitor telling about

anceled plane flights that he couldn't afford to take, anyway?"

Effective Strategies

Any strategy used in Mapuche development must meet several criteria in order to maximize effectiveness. Indeed, these criteria are often those that are essential for any effectiveness at all.

The criteria are:

- **Sustainable**
- **Provide Long-Term Benefits**
- **Create Independence**
- **Micro, not Macro**
- **Relatively Simple**
- **Meet Basic Needs**

The following strategies for Mapuche development in Chile have been divided into two groups. The first strategy will target indigenous people living in urban areas. The second strategy will address the needs of Mapuche living in more rural areas. Both targeted populations will be worked with according to the criteria listed above.

Urban Mapuche Development

The Mapuche residing in cities and towns require a strategy whereby people can obtain their core needs. They face the following conditions:

- **Scarcity of arable land**
- **Unsanitary conditions (sewage, potable water)**
- **High density housing**
- **Inadequate income**

A first effort will be to utilize portions of urban land for expanding micro-farming techniques, “blok” construction, ??? answer of “media casa” programs and so on, as ??????????.

Micro Enterprise

A second development method that has proven successful over the last two decades has been micro enterprise and poverty lending. Micro enterprise is a form of micro development based on job creation and micro lending. Micro lending differs from traditional small-business lending in the amount loaned. Instead of loaning thousands of dollars to entrepreneurs, micro lending involves loaning small amounts. In the Mapuche case, the amount might only be \$5-\$25 with which to begin. Such small amounts of money are effective because micro enterprise efforts are often extremely small.

In micro lending, certain lending principles apply. A recipient is given a loan which must be paid back within a certain period of time, at an established interest rate. Since donations are limited, lenders charge a nominal interest rate. Charging interest facilitates self-sustainability and helps the recipient to feel that he or she is part of legitimate business

negotiations, as opposed to simply a charitable gift.

There are several steps that must be taken to implement a Mapuche micro enterprise system in Chile:

1. Determine the location.

The indigenous area must have a sufficient number of needy Mapuche who are people willing to or already have engaged in entrepreneurial activities. The place to be served must be dense enough and large enough to sustain a market for the products that the entrepreneurs will be producing and selling. The location must accommodate room for the entrepreneur's business to grow.

2. Publicize the Offer

Once an area has been chosen, it is necessary for the sponsoring NGO to publicize the fact that micro loans are available for Mapuche natives. This must be done carefully. An initial way to screen applicants is to limit the number of people who know about the program. This can be done by inviting small groups of Mapuche people to information sessions without saying outright that loans are available. Those with an interest in "furthering their business" will be invited to attend a training seminar. At the conclusion of the seminar, those with an interest in assuming the responsibility to pay back the loan will be asked to fill out an application.

3. Determine Applicant Profile

After applications have been submitted, members of the Chilean lending group or NGO will assess the applicant's loan worthiness based on several factors:

- **Assess trustworthy of applicant**—Since most Mapuche recipients will not have an official credit rating, it is necessary to discern their integrity as best as possible. This can

be done by talking with employers, ecclesiastical leaders, relatives and neighbors.

- **Discern business savvy of applicant**—To assess the business knowledge and savvy of the Mapuche applicant, several things must be known. The applicant's experience in the proposed field of work, as well as his or her contacts with vendors, clients, and customers. If the potential borrower has a history of success, he or she is more likely to experience success in the future, and therefore more likely to be able to repay the loan.
- **Evaluate feasibility of concept**—On the application for a loan, each Mapuche applicant will have detailed his or her intentions with regards to a business plan. The plan will then be analyzed by those making the loan. Taken into account will be the current saturation levels of the market, the potential for growth and longevity are important. These will allow the native micro entrepreneur to possibly in the future, providing for one's business a competitive advantage that will enhance sustainability. In the future, finally, the effect on the local environment must be taken into account. For example, wood workers who are using slash and burn techniques that destroy the rainforest would not qualify for micro credit. Instead, environmentally friendly ways of obtaining the wood must be found.

5. Approve/Reject Loan

Based on the Mapuche applicant's profile, a decision must be reached to accept or to reject the request. If the applicant is accepted, funds are issued to the applicant who signs a binding contract. If the applicant is rejected, he or she is given the opportunity to make the necessary modifications to their proposal. This, of course, would not be the case if the applicant were rejected because of personal reasons.

6. Monitor Performance

After disbursement of funds, the prosperity of the native businesses will be monitored. This will not be an extreme level of surveillance to insure that funds are repaid. Rather, it is done to help the recipient become successful. To this end, consulting services may also be provided with the loan.

7. Provide Consulting Services

The provision of consulting services to Mapuche clients is one measure that can help to ensure success. It provides a support measure that will give the borrower the practical skills needed to run a small business. Since the recipient will encounter competition in the marketplace, he or she will need to know the basics of finance and marketing. The following concepts and tools could be taught in weekly seminars to indigenous groups by considerable simplification and informal training techniques.

Financial Analysis

Break-Even Analysis, Price Sensitivity Analysis, Compound Interest, Price Point Selection, Simple Financial Statements.

Marketing Analysis

Demand Analysis, SWOT Analysis, Boston Group Analysis (Cash Cow, etc.), Benchmarking Competitors, Market Penetration Tactics, Product Life Cycle, Market Testing, Market Research.

Rural Mapuche Development

The rural population of Chilean Indigenous people to be serviced requires a commitment

of expense money and other resources. As great as that aiding those in large urban centers. An effective agrarian intervention must benefit the poorest of the poor. To do this, several rural criteria need to be established as the partnership between developing NGOs and native Chileans emerges.

Use resources the natives already have. By using indigenous resources and ____ there will be less dependence on those outside the community who often do not have the community's best interest in mind—the Chilean government, foreign corporations, and so on. By using native technologies the Mapuche themselves become responsible for their success. They have faith in their methods, and will work hard to ensure the program's success.

Risk-free. In a sense, the worst aspect of building more hydro-electric dams is the potential for ladening Chileans with a large debt. Any method that requires a large investment on the part of the people should be discarded. Successful aid projects do not gamble with the livelihood of the poor. Rather, a somewhat risk-free program must be implemented. Even so, risk-free does not ensure success or prosperity, it only ensures that nothing will be lost.

Culturally Acceptable. As shown in cases such as steel axes being introduced to stone-age Aborigines in Australia, disruption of cultural norms tends to fragment the community. If the native community is not united in the effort or feels uncomfortable with the methods for implementation, then the project is likely to fail.

Labor intensive. Many massive aid projects in Third World countries have failed because they were capital intensive and labor scarce. Such strategies cause at least two problems in the target society. First, if the debt cannot be paid, the community or nation is left to languish under the weight of great indebtedness. Furthermore, the natives are left disillusioned by the

botched attempt at aid that never came to fruition.

Nevertheless, some areas of Chile may be so rural that sufficient labor is unavailable during certain times of the agricultural year. For creating corporate farming systems such as the Argentina case of IAF some Mapuche there, some basic premises of development should be articulated:

- Use simple equipment so that the natives are not subject to exploitation from those with fuel or replacement parts.
- Take into account topography, climate, soil, and _____ resources.
- _____ workloads according to the different sexes.
- Raise demands for labor during seasons of unemployment by intensifying land use.
- Ensure that relieving one bottleneck does not create a worse one.

Other suggestions for the Mapuche include the following:

Create quick success: People that are hungry have little patience with crops that take years to fully develop. Crops planted must show results within a few weeks. Harvest must come within one season. This is because poor, rural farmers live from one season to the next. If a large agricultural firm experiences a bad season, loans can be acquired and the loss written off as a tax deduction. But if small farmers lose their crops, or if they have to wait too long, they may lose growth _____ and _____ up hungry.

Fit Local Patterns: Local farming patterns must be considered. While farmers on large plantations are accustomed to a certain style of agriculture, so are the Mapuche as they draw on traditional methods. They will be resistant to techniques that go against their time-honored

methods. Likewise, techniques that are advantageous on a macro level are often impractical in small agriculture.

Blind Financially Incentives: It is essential that the crops being produced be financially advantageous. Since most people will be growing a limited variety of crops, it is necessary that the native farmer be able to convert a substantial portion of the harvest to cash. This will allow the farmer to use the money in the ways that are most needed. That portion that is not converted to cash will be retained for personal consumption or traded for other goods.

Serve Local Markets: Products are too little available unless there is a market for them. Several factors regarding the marketplace must be considered. First, the market must be available to indigenous farmers. Markets that are thousands or even hundreds of miles away are not accessible to small farmers. Relative proximity to their farms is key to Mapuche success. Second, the market must be large enough to accommodate many producers. If the market is too small, then farmers are less likely to share their knowledge. They know that if supply exceeds demand that price will fall. If the demand is large enough, farmers will not hesitate to share their knowledge with other natives. Another problem that shallow markets produce is the feeling that agricultural innovation goes unrewarded. If a farmer cannot sell his or her product at market, he or she will look to fields other than agriculture for livelihood. Since agriculture is the chief industry in rural areas, finding another industry probably means moving to the city. The end result is the mass poverty, congestion, pollution and other problems of third world cities like Santiago.

Act Ecologically: Any technology or methods used will not be of long-term benefit to the Mapuche farmers if they destroy the environment. Methods that radically deplete vegetation,

pollute the air or rivers, or render the soil infertile must not be employed. The Mapuche undoubtedly already use techniques that are environmentally friendly. This is another reason why local methods should be the base on which the program is founded.

Manage the Technology: The key to facilitating effective management of the new methods and technology is to keep them simple. Simple technology has many benefits. Mapuche farmers will be able to comprehend fully what is happening. they will be able to learn the methods and understand the technology, they will be able to improve upon them. this will give the farmer of a strong sense of self-confidence and human dignity.

If problems arise, simple technologies can easily be modified. Simple approaches also foster a sense of mutual learning, discovery, and implementation between the farmer and the NGO consultant. This eliminates a top-down approach that breeds dependency, mistrust, and low self-esteem.

Simple technologies consistently fall into the following categories:

- **Resembles methods the people already use**
- **Unsophisticated**
- **Involves crops or animals people know**
- **Require few inputs**

Not surprisingly, technologies with these attributes are the easiest to manage. Little training or supervision is needed when the technology is simple. A lot of money can be saved if the plan can be implemented in a few field visits. Furthermore, a minimum of outside interference will allow the indigenous farmers to adapt the new input to their traditional farming methods. This will increase the likelihood of success, since the number of problems on a given

agricultural site tends to be proportional to the gap between the new technology and the farmer's traditional technology.

Summary for Implementation of Mapuche Development Program

Rural/Agrarian Program

Urban/Micro Enterprise Program

Steps to be taken	Steps to be taken
Initial field visit	Initial city on site visit. Date set with local leaders for information meeting.
2 consultants begin 3-week live-in to do needs analysis, and evaluation	Information session held and micro lending program is established
consultants report on findings, and submit proposal for funding.	Applications are submitted . Applications are informed concerning their eligibility.
Proposal for funding is granted and money is received.	Funds are received by those who qualify. First consulting session is given.
Consultants return to tribe and begin work with local farmers.	Second consulting session is held and progress interviews are given.
Consultants finish classroom and field training with the farmers.	third consulting session is given. Sessions planned for once a week, with a progress report at each session.
First follow-up visit	First loan repayment is due.
Second follow-up visit made and future visits planned for once a month.	Loan is due and payable, principal and interest. Revolving line of credit established with full payment.
Eventual replication in other rural areas.	Program is expanded in another city.

Conclusion

The Mapuche of Chile need an intervention program that is simple. They need one that benefits the very poorest, makes use of their natural resources. any methods or technologies

should be labor intensive, with only small sorts of capital involved. The program must be based on a joint partnership between indigenous people and an effective NGO—working together. Intervention must foster the local ecology, not destroy it. Finally, intervention must be brief and focused.

These criteria are basic but essential to achieve success and _____. The exclusion of one criterion often leads to the exclusion of another. For example, if a technique is environmentally harmful, it is most likely one that is not indigenous to the native peoples, nor is it likely to be simple.

Revenue generation should be the prime goal for both the urban and rural programs. This can be accomplished in the urban areas by using micro enterprise, funded through micro lending, and enhanced by micro entrepreneurial training. Rural areas will benefit greatly from agricultural strategies and methods that fit the intervention criteria. With time, both these efforts may evolve into a cooperative organization that will create an even greater synergy among the members. cooperative structures will make people less vulnerable to failure and will empower them to better complete, at lower costs, in the marketplace.

The type of intervention described above is somewhat counter-intuitive. Many people in the so-called industrialized nations instinctively feel that what the poor and underprivileged need is whatever the rich and privileged have. This is not necessarily the case. What the poor most need is a little guidance, a little financial boost, a little help, a little compassion. The operative word is “little”.

References

- Aukiñ. (1997). Autoridades Originarias Mapuche.
<http://Linux.soc.uu.se/mapuche/fakta/chilee01.html>. 1997, November 7.
- Bebbington, Anthony. (1991). Sharecropping Agricultural Development, Grassroots Development, 15, 2, 21-30.
- Bendahmane, Diane. (1991). Performance Reviews for NGOs. Grassroots Development, 15, 2, 31-37.
- Bengoa, José. (1997). David y Goliat: Las Comunidades Amenazadas.
<http://Linux.soc.uu.se/mapuche/fakta/Bengoa.html>. 1997, November 26.
- Breslin, Patrick. (1989). The Mapuche Find Their Voice. Grassroots Development, 13, 2, 36-43.
- Bustos, Patricia. (1997). Ralco y el Alto Bío Bío de los Pehuenches.
<http://Linux.soc.uu.se/mapuche/fakta/bustos01.html>. 1997, November 26.
- Corporación Nacional de Desarrollo Indígena. (1997). Observaciones de la CONADI al Estudio de Impacto Ambiental del Proyecto Central Hidroeléctrica Ralco de ENDESA.
<http://Linux.soc.uu.se/mapuche/fakta/ralco00.html>. 1997, November 26.
- De la Paz, Francisca. Ranking Deshonroso. (1997).
<http://Linux.soc.uu.se/mapuche/fakta/chilee02.html> 1997, October 28.
- Fundación Interamericana. (1995). Guía de directorios de ONG. Arlington, Virginia. Fundación Interamericana.
- Gumucio C., Juan Carlos. (1997). La Etnia Pehuenche y el Desarrollo Hidroeléctrico en el Alto Bío Bío. <http://www.xs4all.nl/~rehue/art/gumu1.html>. 1997, November 26.
- Guzmán, Juan Andrés. (1997). Polémica desborda la represa Pangué.
<http://Linux.soc.uu.se/mapuche/fakta/BíoBío03.html>. 1997, November 7.
- Haughney, Diane & Marimán. Pedro. (1997). Población Mapuche.
<http://www.so.uu.se/~Jorge/mapuint/liwdoc1a.html>. 1997, December 12.
- Huenchulaf Cayuqueo, Maricio. (1997). Discurso de Renuncio.
<http://www.geocities.com/CapitolHill/Lobby/3057/discurso.html>. November 7.
- International Rivers Network. (1997). Survival of BíoBío River at Stake.
<http://Linux.soc.uu.se/mapuche/fakta/BíoBío01.html>. 1997, November 7.

- La Voy, Diane Edwards & DeNicolo, Anna. (1987). Acuerdo de Colina. Grassroots Development, 11, 2, 45.
- Larrain, Sara (1997). CHIPER Environmental Library Reports. <http://Linux.soc.uu.se/mapuche/fakta/chilee01.html>. 1997, October 28.
- Llancaqueo, Victor Toledo. (1997). Truf Truf. Representa una Nueva Intervencion al Territorio Mapuche. <http://Linux.soc.uu.se/mapuche/fakta/Victor02.html>. 1997, November 7.
- Page, Diane. (1986). Growing Hope is Santiago's Urban Organic Gardens. Grassroots Development, 10,2, 38-44.
- Painiqueo Tragmolao, Sofia. (1997). Carta. <http://www.pitt.edu/~figtree/sophia1.html>. 1997, November 7.
- Renace. (1997). Environmentalists Achieve Legal Decision to Stop Forestry Megaproject. <http://Linux.soc.uu.se/mapuche/fakta/bosqu02.html>. 1997, November 7.
- Thomas, Margaret & Taylor, Kenneth. (1997). Fourth World Documentation Project - CWIS. <ftp://ftp.halcyon.com/pub/fwdp/americas/mapuche.txt>. 1997, November 28.

Chapter 12

Village Development and Microcredit in Africa

Warner Woodworth

The socioeconomic crisis of Africa continues to defy western aid efforts, leaving many regions devastated by the destruction of civil wars, the scourge of HIV-AIDS, decades of drought, and the vestiges of colonization by Europeans. Numerous large, top-down economic and political reforms have been attempted in recent decades, but many end with questionable outcomes. Modernization projects often fail. Foreign investment is siphoned off by corrupt officials. Macro level changes frequently do not adequately lead to fulfilling basic human needs.

However, new social development programs are being organized in participative fashion with funds donated by outsiders and the work implemented by indigenous people. Instead of top-down, these efforts are bottom-up. Instead of being bureaucratic and large scale, such programs are small and flexible. They are run, not through the national government or big business, but through new grassroots associations. Such vehicles for social change are thus, third sector institutions, often referred to as private, voluntary organizations (PVOs) and/or non-governmental organizations (NGOs).

This paper will report on and analyze the capacity-building work of the NGO movement in West Africa, particularly in Mali. Several NGOs engaged in social development have been researched through both quantitative and qualitative methods among rural indigenous people.

A regional case herein is the Ouelessebougou Alliance, an NGO operating in an area known as an *arrondissement*, or county in southern Mali of over 50,000 people today has spread throughout 86 villages. In a decade and a half, it has achieved a remarkably positive impact in various aspects of rural society—children’s schools, adult literacy, community healthcare, water wells, gardens, microcredit banking, and women’s cooperatives. This West Africa program operates according to the new “social inventions” articulated by William Foote Whyte in his plenary address as President of the American Sociological Association (1982).

The Context: Mali, West Africa

In the 1980s Mali was a region of some 35,000 indigenous people spread through 72 rural villages. They struggle to survive on a subsistence economy where the GNP is only around \$300 per year. In past years Mali functioned as a French colony known as “Western Sudan.” Reports estimate that the population today is around ten million people most of whom dwell in the southern region of the nation. Mali is roughly twice the land mass of Texas making it one of the largest nations on the African continent but it is landlocked from the Atlantic Ocean. In the north of Mali is the Sahara where nomadic tribes still herd cattle and roam the desert. Ancient Timbuktu was in its heyday the economic nerve center of West Africa. Today, the business base

of Mali is the capital, Bamako, a congested urban center of some 1.5 million people located around the flow of the Niger River. Further south, where Ouelessebougu is located the land is semi-arid. Due to an 18-year drought, the area is losing much of its bush, trees are sparse, and much African game has moved deeper into Central Africa.

In the 1800s Mali was taken over by the French with the intent to gain control of the flow of gold trafficking around the Niger River region (Imperato, 1989). Ultimately, the occupation of the larger area became known as French West Africa and the European strategy to extract natural resources to benefit their own societies was systematically accelerated. A key to the French methods was that of educating native elites so they themselves would control the indigenous Malian masses, in effect creating what the French called a “mission civilisatrice” (civilizing mission) to the country (Bakary, 1995). But, of course, as with most colonial attempts to civilize or exploit indigenous people, the consequences were extremely negative.

As a French Colony, much of the region’s riches were extracted by force over long years so that when Mali was given independence in 1960 it was essentially bankrupt. Of course, French remained the dominant, official language, but there are numerous indigenous languages and dialects as well, Bambara being one of the most prevalent. Of the twenty most common ethnic groups Bambara tribes and class dominate. The people try to chip away at a meager lifestyle through three annual seasons—cool and dry from November through February, hot from March through May, and the rainy season between May and October.

With respect to culture, the urban areas are becoming somewhat westernized in terms of electricity, increased awareness of an outside world including Hollywood films and the superstar status of Michael Jordan’s Chicago Bulls. There are televisions, cars, and indoor plumbing for much of the population in Bamako, along with charcoal cooking, dirt-paved roads and masses of poverty-stricken people. The extensive kinship ties of the past, however, are declining with respect to land ownership, labor and other resources (Callaghy and Ravenhill, 1993).

In contrast, the rural villages of the other three quarters consist of mud huts, thatch roofs, outdoor cooking and latrines. The nation is almost wholly Muslim, while a mere one percent can be classified as Christian. Daily rituals of prayer, the month-long fast of Ramadan, and plural marriages of up to four wives are still quite common. Although the French left the typical colonial legacy of moral and financial bankruptcy in Mali, some of its own native leaders seemed to exacerbate the nation’s difficulties even after independence. For example, the head of state at the beginning of the 1990s, Moussa Traore, is widely known to have looted the country by amassing a personal fortune of over \$2 billion, the equivalent of Mali’s total foreign debt (Ziegler, 1992). During the same era as the drought-ravaged, desperate conditions of poverty ate away at the country’s quality of life, the government was wasting some 20 percent of its budget on weapons and soldiers (Whitaker, 1988, p. 43). And when a crowd in the capital marched for greater democracy five women were shot to death by Malian soldiers. Dozens of others who rushed into a nearby building to hide were killed by soldiers who set the structure on fire (Washington Post, 1991; Ayittey, 1992).

Mali has moved over the past 35 years since French independence from a Marxist state and/or military dictatorship to a multi-party democracy (Ajayi and Espie, 1972). In 1992 there was but

a single state-sponsored newspaper but today there are twenty (New York Times, 1996). Whereas in 1996 there was a mere one radio station operating out of Bamako, now approximately forty broadcast throughout the region. While much of Africa is still controlled by one-party leftist states or army juntas, Mali President Alpha Oumar Konare has overturned the top-down, rigid public ownership of the past and began to privatize government-owned corporations, launched free trade and invited in foreign capital (Washington Post, 1996).

According to the Human Development Index (HDI) of the past decade, Mali ranks only 167th of 173 nations analyzed in terms of various criteria—literacy, GNP, education, health, life expectancy, access to safe drinking water, political democracy and so on (UNDP, 1999). Malnutrition is widespread although actual starvation is rare. Millet, the primary food staple is plentiful, but not adequately nutritious for a good diet. In the United States it is fed to wild birds in one's outside yard.

Because of colonization, drought and desertification there are minimal natural resources. Four fifths of the working population are engaged in subsistence agriculture. The formal economy consists of a large number of public sector jobs with the typical government functions. Private sector firms are few and purchasing power of consumers is weak. In cities such as Bamako it is estimated that about half of the workforce is unemployed.

Maternal mortality in Mali is the worst in the world—some two thousand women of a hundred thousand die during pregnancy and childbirth. Life for the young is fraught with diseases resulting in the death of 40 percent of children before reaching the age of five years. Malaria ravages the country along with lesser bouts of cholera and yellow fever. For adults, life expectancy only ranges between ages 44-47. Financially destitute hospitals and inadequate medical clinics, operated by poorly trained professionals makes overall public health a critical problem. Estimates are that there is only one doctor for every 17,000 people in Mali.

Perhaps equally problematic is the poor state of education. Official but questionable data suggest that illiteracy among women is 53 percent in urban centers and around 90 percent in the rural regions. Within the above context of Mali as a whole we now turn to the creation of an NGO, the Ouelessebouyou-Utah Alliance in 1985.

Origins and Programs of the Alliance

At the inception of the Ouelessebouyou-Utah Alliance (OUA), residents of Salt Lake City, Utah wrestled with how they might be able to aid Africa, as they saw continual press coverage of crises in Ethiopia and Somalia. Eventually, because of small human and financial resources, and in consultation with African development groups, they decided to focus on Mali where life was hard, but where a tiny group might be able to make a positive difference. They struggled for months as to whether they ought to simply raise funds for short-term relief in northern Mali, or whether to engage in a long-term international development effort in the south. After weeks of discussion and debate, the development solution won out and OUA was officially established as a project to reduce the effects of drought by digging village wells. For some time the group

partnered with Africare, an NGO with a solid track record of success and knowledge, about Africa especially. The wells were very costly and, after three years, OUA broke off its partnership and determined to go it alone (OUA, 2000).

Access to water meant a considerable drop in the daily drudgery of walking long distances to obtain water in the rural areas of Oulessebouyou. Not only did the wells facilitate availability of precious water, but they enabled the Utahns to next teach the people how to create gardens—tilling the land, planting and fertilizing-watering, and building fences to hold out hungry animals. This important step greatly enriched the Malian diet, moving beyond mostly millet to lettuce, cucumber, tomatoes, onions, green beans, papaya and other produce.

By the late 1980s OUA extended its vision to concerns of health care and medical services. Owing to the fact that there was only one small and inadequate rural medical clinic for the entire region of 35,000 indigenous people, the Salt Lake group decided to establish a pharmacy and provide low cost medicines. With the superb guidance of Utah physicians and nurses, the pharmacy was established. Various drugs were donated. And eventually rural villages began to be trained in how to diagnose and dispense certain simple medicines—aspirin, penicillin, and so forth. In subsequent years this health care drive grew to involve either a man or woman from the majority of the 72 villages, each with a small metal closet of basic pharmaceutical items. Prevention as well as medicine is emphasized.

During that period the Salt Lakers realized that more could be accomplished if an applied sociology approach could be started. If instead of occasional trips to Mali from Salt Lake City a native staff could be trained to do hands-on work for OUA, there might be more success. Fortunately, they met a charismatic, educated Malian named Modibo Diarra and in 1988 he became the on-site field director for various projects being established. Diarra had grown up in a nomadic family wandering across the Sahel region of the southern Sahara desert. Naturally intelligent, he was selected for an educational scholarship in Bamako where he learned academic skills and began a career as a school teacher.

For years he taught school in the capital eventually becoming a leader in the national teachers' union. As a Muslim he often questioned the religious beliefs of his traditional culture, and when independence from the French occurred and a Marxist state was created, constant indoctrination also led to many questions and unresolved issues. Life's philosophical research ultimately culminated in Diarra's conversion to Christianity by an expatriate Mormon family residing in Bamako for a time. So when the Alliance heard about him, the role of field director appeared to be an excellent choice.

Under Diarra's clear vision and superb leadership skills, OUA's success heightened rapidly. The organization had surveyed the problem of lack of education and decided to begin constructing schools in villages where illiteracy exceeded 85 percent. Rather than attempt to teach French, the focus would be to build on the people's traditional language and culture, Bambara. Instead of attempting to teach all children, a targeted approach was devised in which village elders and poor parents would explore their needs and capabilities. Upon deciding to build a school, the

Utahns would raise funds with which to purchase corrugated tin roofs, windows and doors. OUA staff and U.S. citizens would prepare mud bricks for the walls. Diarra negotiated with Mali's ministry of education to supply government-trained teacher whose salary would be two-thirds funded by OUA the first year, two-thirds funded by village parents in the second, and 100 percent of their salary paid by the village in year three (OUA, 2000).

Crudely-surfaced blackboards, rough-hewn desks and handmade texts are the meager furnishings for each school. Most hold 30 - 50 children between ages 9 - 15 who for the first time in their lives now have the opportunity to gain an education. While but a few enjoy this privilege, it is a poignant experience to see dozens of children under age 9 from the village, sitting outside the schoolroom in the hot sun, listening intently to the teacher's words, the class verbal response and rote learning. These are the next generation who hunger for education and try up until age 9 to prepare as best they can in order to maximize their learning when the time eventually arrives.

By 1992 many parents of these newly-schooled children began to long for their own education. This gave rise to an adult literacy project that OUA began in partnership with the successful Laubach Literacy program (Curtis, 1994). Funds were raised for this effort, native volunteers were trained to teach and the first workshops began. This has become one of OUA's most successful development tools, growing from a few hundred newly literate people by 1993 to thousands presently.

Oua Strategies For Economic Development

My personal involvement with OUA began several years ago with an invitation to join the board of directors and later, its executive committee. More recently, I've served as Board Chair and supervised various graduate students as interns in Mali, applying social science methods to enhance village development. Having taught development courses at BYU, supervised masters' theses on Third World topics, and initiated a number of economic development projects around the world, my interests at OUA soon began to focus on how the alliance could achieve more independence and long-term sustainability. Without rising income levels, these villages could not afford the continued growth of wells, gardens, schools and health care. While the objectives and generous financial support had led to impressive results, there was the risk of eventual failure unless people could become more self-reliant.

So after an initial needs analysis, a group of students at BYU began to work with me to devise a game plan for the future. In 1995 I led a team to a group visit of Ouelessebougou, meeting with several women's cooperatives and other relevant parties—Malian bankers, other NGO representatives, Peace Corps representatives, as well as the OUA staff, some village chiefs and a few microentrepreneurs. What became clear is that most of the poor who attempt to become self-reliant struggle with self-image problems, lack of capital, harsh economic conditions and so forth. With respect to Ouelessebougou itself, would-be micro entrepreneurs have additional problems including great distances and lack of transportation, illiteracy and extreme poverty, meaning few have any money with which to purchase goods and/or create jobs. But we also could see that a person with energy and insight plus a bit of capital could possibly become

successful as a small business person, or what in French is referred to as *petit commerçant*.

Based on observation, interviews, and several research reports, we saw that for many people life in Mali is one of utter destitution. Centuries of colonization have resulted in exploitation, dependency and a sense of futility. There is little foreign investment and the currency devaluation and drought of past years are still taking a heavy toll on the country. While attempts have been made to move from a colonial past under the French, and then from state-run socialism after independence in 1960, the current political economy is not a very positive picture. People seem motivated and desirous of improving their lives, but many lack the wherewithal to make great changes. Essentially, there is a great degree of unemployment and underemployment, combined with high population growth. Today, instead of 72 villagers there are 86, and the population has grown from 35,000 to over 50,000.

The general impression regarding the potential for strengthening the informal economy was that there are formidable challenges. Low levels of education and literacy, for example, make it hard for someone to fill out a loan application or to balance one's micro enterprise accounts. The Peace Corps staff suggested that there are insufficient links between savers and borrowers in Mali, leading to low investment of productive capital. Rural bank practices supposedly exist to encourage national development, but in fact, they do not provide small loans to poor villagers. To make matters worse, the government of Mali does not have much to spend on poverty programs in the rural economy. There is considerably little formal support for business training, technical assistance or consulting, and government-directed credit programs.

In the mid 1980s, USAID gave financial support for a program to strengthen the Malian small business sector through the Bamako Chamber of Commerce, the idea being that after the U.S. start-up, the Mali Chamber of Commerce would then provide ongoing funding. But with no real Chamber support over the next five years, the program was discontinued. In recent years, the Peace Corps arrived and it has attempted to assist small businesses, working in collaboration with government agencies and non-governmental organizations (NGOs). However, it seems that while Corps staff are motivated to do good and have French language capabilities, most volunteers lack solid business skills and understanding. Nevertheless, volunteers have been assigned to a Small Enterprise Development (SED) program in various regions of Mali to nurture the native micro enterprise sector, coordinating with NGOs and governmental agencies that attempt to strengthen the informal economy. A six year plan has been established with two main thrusts: 1) assist the government agency *Centre d' Action Cooperatif* (CAC) in moving from its traditional government-run co-op efforts, in favor of a more relevant, village-based savings and credit system; 2) assist local NGOs as they strive to create a healthier small enterprise sector in rural Mali—increasing the pool of potential entrepreneurs, supporting education programs to enhance literacy, math and other business skills, conducting feasibility and marketing studies, and so on.

According to various interviews during the trip, the idea of micro enterprise and credit makes sense and appeals to most people. However, doing so successfully is another matter. Apparently the World Bank launched a village credit venture in Mali several years ago but only 1 percent of

recipients repaid their loans.

Based on the 1995 needs assessment trip, a three-pronged strategy for economic development has been launched that consists of the following:

- 1) Train interns in the U.S. and prepare materials to be used in Mali as reported earlier;
- 2) Create and/or expand worker-owned cooperatives;
- 3) Establish a micro lending program with a village bank and small paid staff.

The paragraphs below reveal the extent of these efforts thus far.

Economic Activity of Women's Cooperatives

Beginning in the mid 1990s several women's groups tried to attempt some kind of economic activity including Group Lolo, Danaya, Seneketon, Wahabiyakin, and Kankelintigui. Most of them started as social units, cooking and eating, shopping, partying, dressing up, telling jokes, and otherwise passing the time of day. Gradually, however, they shifted to more serious concerns such as work, improving society, generating a profit, improving members' lives individually and collectively (Cooperatives, 1995).

Some groups are doing better than others. At one end of the spectrum, Group Lolo is the model of success, the "dugantigi" (queens) of women's co-ops. They still banter with joke partners and dress up for festive occasions. But they are also quite serious as they have become a role model for other groups that look to Lolo for leadership. They buy oils and chemicals in bulk, mix them and pour into large vats. When the fluid hardens, it is cut into squares and sold in the market as bars of soap. Currently, Lolo members are seeking various alternatives to expand and generate more capital. They currently plan to launch a cement business, importing cement from Abidjan, Ivory Coast, to sell as the pace of new construction in town accelerates. To do so will require some 4 million CFA, roughly \$8,000 U.S.

After its start, Group Lolo grew to some 50 members, but it became too big and unwieldy. Also, many new participants viewed the co-op merely as a way to get money and meals without any work or sacrifice on their part. Now the total is back down to around 25 members. They trust each other, pay weekly membership fees, vote in officers, and collectively plan projects for the co-op. Lolo members also spend time and effort advising other start-up groups, offering leadership and suggestions for success.

In the middle success range of women's groups are those such as the Seneketon Benkadi co-op whose members are from the Sahel region of

Northern Mali, a well-known group in Ouelessebougou who have a strong reputation as workers/harvesters. With a hundred members, the co-op labors one day each week during the rainy season to raise group monies, and people spend the other days doing their own work for their personal incomes on family fields. They need supplies such as seed and fertilizer, as well as tools like plows and oxen. As with Lolo, these women say their biggest problem is lack of capital since the government cannot help them and the banks will not. When asked, they said that although they have a secretary and a treasurer in the group, no records are kept because none of these women can read or write, add or subtract. So who manages their money? A man they trust to do so. One worries about dependency, corruption and exploitation that may occur as the man sees opportunities to exploit a hardworking group of vulnerable women.

Further along, at the hardship end of the spectrum is the village women's co-op, Wahabiyakin, a very strict Muslim sect whose husbands originally would not even allow them to meet and talk, to say nothing of creating a producer co-op. Eventually, the men acquiesced but the women's struggle took its toll. For example, the co-op labored for two years to prepare a parcel of poor, barren land for farming, based on an agreement with the owner that they could use the land for a time. As peasant laborers, the women were confident the project would yield a good crop to sell in the market. Then, the owner reversed the agreement and reclaimed the land, forcing the co-op members off his property. But they had no recourse.

Between the success of Group Lolo and the painful failure of Wahabiyakin, the other co-ops have experienced mixed results. However, all are attempting to change their world, trading the deprivation of the past for a more promising future. While failures are hard, even bad experiences offer lessons to be learned. One is struck by the push toward empowerment and the desire to make a difference. The women's efforts suggest that their children will be better off as they are raised—with new motivation, schools and health care previously not available.

By the end of 1999 when a Salt Lake team returned to Mali, it was gratifying to discover that from the handful of women's co-ops 3 years earlier, today there are about thirty. More and more individuals and villages are discussing the viability of launching further such groups in the coming year.

The very act of attempting cooperative experiments is showing people they do not have to sit around as passive individuals, waiting for the world to improve. For example, the colorful Danaya group started with only a few women four years ago and has now grown to 51 members. One enterprising lady grew a garden of onions. She also dyed cloth and took all her goods to the Ivory Coast

to sell. With her new revenues, she purchased nuts and other items in Abidjan, brought them back for sale in Ouelessebouyou, and on up to Bamako. She is now seen as a model of success for others to follow. The dependency ethic is giving way to the work ethic, the spirit of enterprise.

Equally interesting, when visitors inquired about membership in Danaya, they were told that each person must apply and pay 2,500 CFA. The money goes into a collective fund which is then rotated among the members for use in their individual economic projects. The question was then raised about what happens if a woman's efforts fail and she loses capital rather than gain an increase? Or has a sick child and uses the money for medicine? Is the individual expelled from the co-op? Apparently not. Instead, the others pitch in to raise the necessary amount and bail out the person in trouble. Their goal is the good of the group as a whole, not the wealth of just one person. This sense of community and shared responsibility may serve as a powerful force for long-term sustainability.

Even the men's world of Mali is changing. Because of the growing entrepreneurship of females, some males in Ouelessebouyou have begun a livestock co-op. With OUA assistance, the men are raising animals and have begun an insemination co-op too. And after visiting the women's large garden at Dalabala village, visitors were shown the new men's garden they had tilled, fenced and planted. The implication was increasingly clear that as Malian women begin to raise the quality of their lives, the spillover effect to other aspects of the culture will also occur.

Creating the Ouelessebouyou Village Bank

During Winter Semester 1996 the BYU team intensely studied research materials on Mali and the experiences of micro credit organizations around the world. How to design such a system in Mali was the major theme of such efforts. Off-campus volunteers assisted in planning a series of training topics for microentrepreneurship, business management and financial skills. Approval of the plan was secured by the U.S. board and the field study in Mali. Training modules were translated into French and ready to go. Then, U.S. interns began a sequence of on-site work in Mali as listed below:

- A Harvard graduate student in public policy spent summer 1996 in Ouelessebouyou, designing the bank, meeting with other NGOs, inspecting other village bank structures in Mali.
- A BYU doctoral student and his wife spent fall semester 1996 building on the earlier work. Together with two other BYU alumni who visited Mali for shorter time periods, materials were prepared and management training was given to native microentrepreneurs.

During December 1996 I returned to jointly review and evaluate the preceding work. A large meeting of people was held to organize and become members of the OUA village bank. Some 40-50 natives were expected, but over 160 attended and joined as credit members, paying a \$2 membership fee and opening a savings account. After opening ceremonies and speeches, the election of a bank board, a watchdog committee and a management education committee, a check was presented to the new president of the bank in the amount of \$2,000 (a million CFA) and a huge banquet was begun to celebrate the event. Articles of incorporation had been drawn up by the Utah team, refined with the OUA staff in Mali, along with statutory documents and other regulations. Its official name was declared as follows: *La Caisse Villageoise Jama Ka Wari Yiriwali Jikene*. It is a mix of French and Bambara that can be translated as follows: "The Village Bank that Supports People for the Collective Generation of Money."

The French term for bank is *caisse*. Based on OUA *caisse* reports, various analyses were obtained. The material below summarizes the first year results of the OUA village bank. It should be noted that initial training modules, although simple in scope when designed at BYU, were still too complicated for Malian villagers to understand, so further revision and simplification has occurred since the first year:

Membership in the *Caisse* - 160

95 Females

65 Males

Each member must put 1,000 CFA in a savings account each month to build up a pool of capital

More recently:

151 people got loans

142 paid back loans on time in the first wave

30 people received a second loan after paying off the first so far

9 loan requests were denied

The loans started out between \$100-200 on average. They had to be repaid with a six month period at 15 percent interest. The range of uses for the micro loans includes such employment as street vendors selling cosmetics, cereal, fruit, milk, cement, clothing, medicines, honey, or paint. Other jobs include construction, butcher, restaurant owner, veterinarian, and gardener. The average first loan was for the equivalent of approximately a hundred dollars. After that amount was paid off, they could then apply for a second, larger loan.

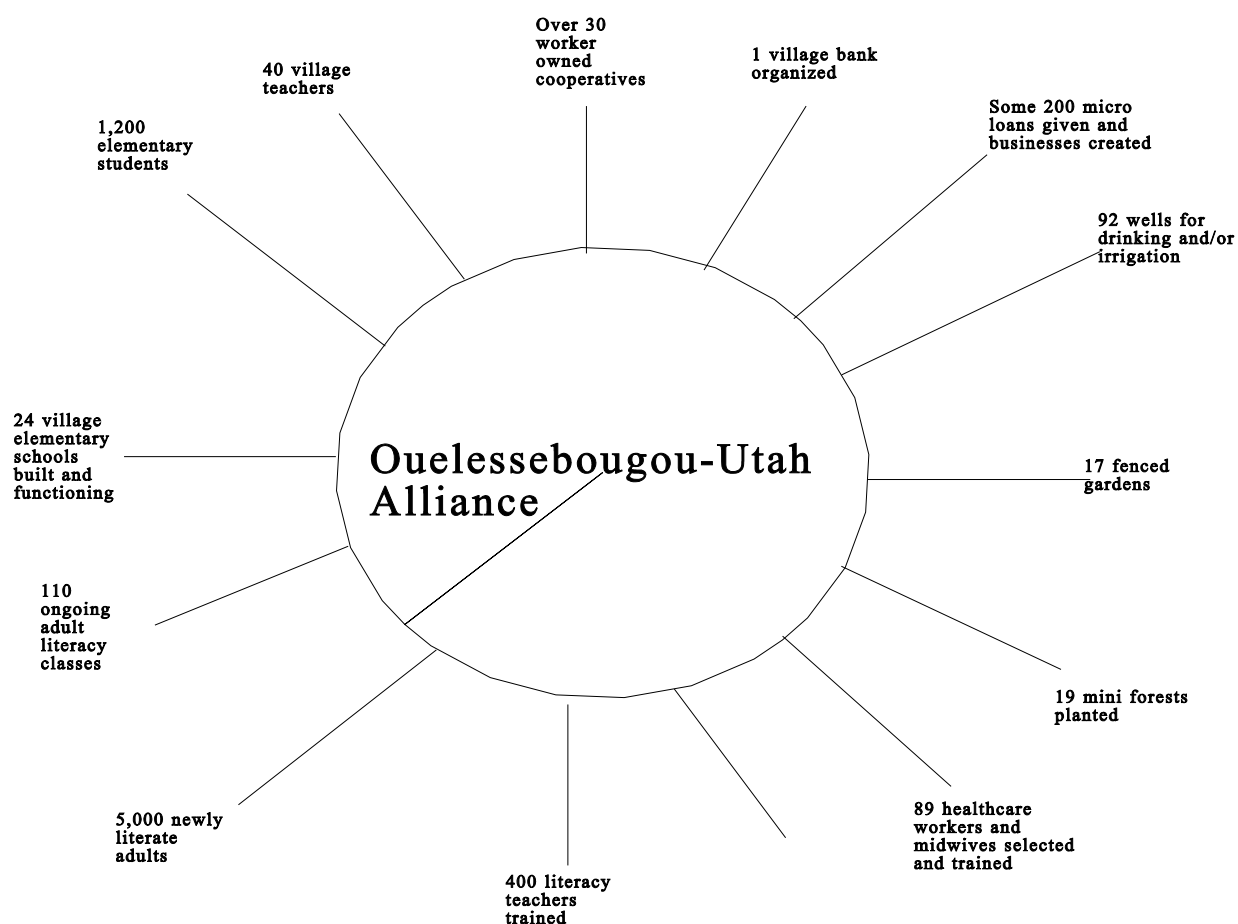
Perhaps one brief example of a recipient of a microloan in Ouelessebouyou will

illustrate the economic impact. During my 1999 trip, I visited a fruit stand along the highway in the large village of Ouelessebougou. The microentrepreneur's name was Mantjini. Nicknamed Maini, I'd met her two years earlier. Since the death of her husband, she has struggled to feed her family and generate an adequate income. When the OUA village bank was opened she applied for and obtained a very small loan with which to produce fruit and vegetables. But it was very difficult and the children were often hungry. So after paying off the first loan she applied again. This time the *caisse* loaned her about \$100 U.S. through her village group. Known as a *babo* or "mother's room," the group is collectively responsible for the full loan and they can divide it among each person, or pool it all to give to one. Her group allocated the entire \$100 to Maini, a sufficient amount with which she could set up and open a restaurant. The microenterprise has done very well, enabling her to expand from a mere street vendor of fruits and vegetables to now offer a full meal, thereby making more adequate income. The business now not only helps her, but allows her to also provide jobs for her two daughters, one son and a nephew. The plan is to pay off the second loan soon and then obtain an even greater amount.

Conclusion

By adding more co-ops, microentrepreneurship and small business training, and a village bank to provide microcredit, Ouelessebougou as a whole is gradually improving and becoming more self-reliant. In December 1996 there was no village bank and the people of Ouelessebougou had never had a bank account. Today many individuals have personal savings accounts that earn them 5 percent interest per year. Poor indigenous people who tried to start or to grow a microenterprise, either failed because of lack of capital, or were exploited by greedy loan sharks in the region. Now those same villagers have enjoyed a successful savings and microcredit program, as well as various women's producer co-ops. They own their own bank and its assets. And interestingly, today there are three other NGOs who have moved into the region and established *caisses* (communal banks) of their own, thus providing villagers with various economic alternatives. And all this began with a mere \$2,000 grant from caring Utahns in 1996.

The total impact of development efforts since OUA began some 15 years ago can be depicted as follows:



Collectively these development strategies have had a high impact. Wells, gardens and much of the health care efforts resulted in immediate or quick benefits. Other programs such as schools, literacy and economic strategies will lift the villages of southern Mali gradually over the long-term. Together they offer important consequences for today and much more in the future as villages in this extremely poor region move toward self-sufficiency.

In a recent interview with an NGO association official in Bamako, it was reported that there are approximately 900 NGOs throughout the country of Mali. Of those, OUA was ranked 86th in terms of its annual budget. Yet with respect to productivity and impact, OUA shoots up toward the top, at a rank of number 12.

The OUA impact is increasingly recognized in Mali in other more qualitative ways. For instance, the national government's reaction to the drinking and garden wells was so positive, the field staff was asked to help another region dig eight new wells. At best, they predicted that it would take two months, but, in fact, under Moussa's expertise, they completed all eight in only 28 days.

Because of OUA's credibility, a large European pharmaceutical nonprofit organization has begun to partner with the Alliance's effort, especially the village health care workers and OUA pharmacy. They were so impressed they invited Diarra to serve as volunteer chairman of their board for the whole country of Mali. That has resulted in a greater supply of low cost drugs for poor villagers. Also, teams of Swiss youth have paid their own way to Ouelessebouyou and helped build three more village schools. The value of all that donated labor is roughly 2.5 million CFA (\$5,000 U.S.).

More recently the Peace Corps in the capital has assigned a U.S. volunteer to work full time with OUA, partly to strengthen our efforts in southern Mali, but also because they want to be linked up with such a productive, successful development program. In fact, the U.S. ambassador to Mali was so struck by OUA's progress, he allocated \$15,000 from a special fund to enhance several programs.

Several other *arrondissements* (counties) adjacent to Ouelessebouyou have often requested OUA's technical assistance—to build schools, train health care workers, and so on. If time and funding were available, there is no question the Utah NGO could be replicated nationally. The Minister of Energy wants to give us solar panels to light each village school that the Alliance has built. The government also wants to take over four schools and transfer their ownership to the federal system because they are so effective, thereby providing its own teachers instead of those paid by poor villagers.

At the December 1998 annual meeting of all OUA village bank members, even the president of the Republic of Mali, Mr. Alpha Konare, made a surprise entrance. He, too, had joined the *caisse* during the previous year, depositing several hundred dollars in his own new savings account. During the meeting, President Konare sat quietly, listening to the bank's secretary and treasurer report on the total amounts of money in individual savings accounts, how many loans were given, payback rates, and default. At the end, we presented Mr. Konare with a book and T-shirt of the Alliance. His short speech was a powerful affirmation of OUA's work: "Village banking and microentrepreneurship training is the most innovative development program in Mali," he declared. "In fact, The Alliance is pioneering the leading-edge path to a better West Africa in the future. . . for all Malian villagers to follow." That declaration then led to an explosion of cheers, drum-beating, singing and dancing as the president, security guards, and national press representatives climbed into their vehicles and sped off through the jungle.

All in all, microcredit and cooperative creation are but the latest phases of development by the OUA in Mali. The creation of NGOs with innovative social

structures and radical economic methods like microcredit through indigenous communal banks, are congruent with the notion of “social inventions” ASA President William Foote Whyte advocated two decades ago. Women’s co-ops and support for microenterprise offer a new, stronger economic foundation for strengthening village programs such as wells, gardens, healthcare and education. Now, by lifting poor villagers financially through microcredit and co-ops, long term sustainability of OUA efforts appears much more secure as the poor of Southern Mali enter the 21st Century and a new millenium.

References

- Ajayi, J.F. Ade and Ian Espie (eds.). A Thousand Years of West African History. (New York: Humanities Press) 1972.
- Ayittey, George B. N. Africa Betrayed. (New York: St. Martin's Press) 1992.
- Bakary, T. D. "Educational Systems, Social Stratification and the Construction of the State. In A. Kirk-Greene and D. Bach (eds.) State and Society in Francophone, Africa Since Independence (Oxford: St. Martin's Press) 1995, pp. 62-77.
- Callaghy, Thomas M. and John Ravenhill (eds.) (New York: Columbia University Press) 1993.
- Cooperatives. Much of the material on women's cooperative associations is excerpted from my report after a trip to Mali in 1995, as well as updated in December 1997.
- Curtis, Lynn R. Oulessebougou-Utah Alliance Literacy Project: Summary, Observations and Evaluations. (Salt Lake City: Laubach Literacy International) 1994.
- Imperato, P. J. Mali: A Search for Direction. (San Francisco: Westview) 1989.
- New York Times, April 29, 1996.
- OUA. Much of the history for this chapter is derived from the author's experience on the OUA board from 1994-2000.
- Smart, William B. "A City to Village Project Will Help a Country in Despair," Deseret News, Utah Magazine, March 30, 1986.
- Thompson, Jan. "Growing Up in Mali," Deseret News, April 30, 1989.
- UNDP. Human Development Report 1999. (New York: United Nations Development Programme—Oxford University Press) 1999.
- Washington Post, March 24, 1991.
- Washington Post, June 9, 1996.
- Whitaker, Jennifer S. How Can Africa Survive? (New York: Harper & Row) 1988.
- Whyte, William F. "Social Inventions for Solving Human Problems." American

Sociological Review, 47, 1982, pp. 1-13.

Woodworth, Warner. "Micro Enterprise Report." (Unpublished Technical Analysis). Salt Lake City, UT: Ouelessebougou-Utah Alliance, December 1995 (18 pp.).

Woodworth, Warner. Small Really is Beautiful. (Ann Arbor, MI: Third World Thinktank) 1997.

Ziegler, Jean. "The Blood of the Poor," Liberation, cited in West Africa, May 4-10, 1992, p. 746.

13

The World Bank's Past, Present, and Future Role in Microlending

J. Michelle Forrest

At the end of World War II, there was a great need for order in a world capitalist system overcome with the economic rivalry that had developed between nations. A degree of unity among 44 participating countries at the Bretton Woods Conference was generated by this concern. In addition to a system of fixed exchange rates, the conference resulted in the creation of two long-term international bodies, the International Bank for Reconstruction and Development (IBRD) or World Bank and the International Monetary Fund (IMF). These entities were created to fulfill two crucial functions in the world's economic recovery and growth. These functions were to facilitate full employment and the re-establishment of stability and order in the post-war economy.

The IMF was assigned to assure the stability of exchange rates and their orderly adjustment by providing balance-of-payments finance. The IMF would occupy the center of a balance-of-payments adjustment system, an unchanging exchange-rate system, and an international monetary system. By using a system of fixed exchange rates in which only small fluctuations would be permitted (except in countries which were chronically suffering and had disequilibrium in their balance of payments) the IMF would maintain monetary stability. The IMF's focus of adjustment was (a) to center on the use of reserves (including temporary funds from the IMF itself), (b) to limit the use of exchange restrictions, and (c) to remove capital flow controls and trade restrictions (Griesgraber and Gunter, 1996).

Therefore the IMF would alleviate the post-war world economy of those ills which had paralyzed the inter-war economy. Responsible for the dysfunctions were currency disorders, competitive devaluations, chronic monetary instability, excessive protectionism, exchange restrictions, barter deals, and other policies. The IMF was designed to function as a 'lender of last resort' to member countries experiencing short-term difficulties in their balance of payments. It would also establish that payment imbalances be equitably resolved and the burden of adjustment shared by both the surplus and deficit countries (Greisgraber and Gunter, 1996).

The World Bank was established to provide capital for reconstruction and development in the world economy. The bank led the reconstruction of post-war Europe. By providing long-term credit, it was designed to rebuild the economies of war-torn nations, as well as bridge any gap that might threaten their peaceful co-existence. It was also to focus on long-term project lending in developing countries. Rich, industrialized nations and their capital markets were to be the source from whom the World Bank would borrow the funds it would then lend to poor nations. The World Bank would function as the intermediary mechanism for cycling surplus resources between global capital markets and underdeveloped countries (Griesgraber and Gunter, 1996).

The fixed exchange rate system collapsed in the early 1970s causing systemic fluctuations in exchange rates. The IMF could hardly match the market-driven exchange rates. The availability of finances from private sources made it unnecessary for developed countries to borrow from the IMF, therefore preventing the requisite leverage for managing interest rates.

In recent years the IMF has made its prime concern the medium-term adjustment of developing countries balance-of-payment accounts, as it has been forced to turn its attention

away from developed countries and exchange rates. This has resulted in a dual function of the Bank. This has necessitated a division of labor between the two. The IMF is restricted to offering macroeconomic inputs to programs run by the Bank and has given up its independent programs in the poorest developing countries. The Commission argues that there is still need for a development finance institution like the World Bank today, even in a new financial world characterized by increased availability to private-sector equity and bond finance. However, the following three rules must be applied (Griesgraber and Gunter, 1996):

- 1) The Bank should concentrate its assistance to those countries where the need is greatest, using the criteria of income and access to financial markets to assess need.
- 2) As part of adapting to a world that has turned from public-sector dominance towards private enterprise and free markets, the Bank must operate on the principle that development assistance should be directed only at what the private sector cannot or will not do.
- 3) The Bank must seek out ways of working with and for the private sector.

United States' Interest in the World Bank Today

Today, the World Bank functions as a multilateral bank (MDB), meaning it is an independent international agency which finances development programs in poor countries. This is done using money borrowed from world capital markets or contributed by developed country governments. The International Monetary Fund is a monetary institution and not a MDB. However, its policies affect the economic conditions and prospects of its borrower countries.

The United States has joined seven regional banks. These are: the World Bank, African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, the Inter-American Development Bank (IDB), the Bank for Economic

Cooperation and Development in the Middle East and North Africa, and the U.S. is in partnership with Mexico in the North American Development Bank. These multilateral development banks are the largest source of development aid for low- and middle-income countries. In 1994, they lent over \$33.66 billion. Over 69 percent of all multilateral development aid in 1994 was accounted for by the World Bank (Sanford, 1997). The table below shows the distribution of US Multilateral Economic Aid for FY 1997 and that requested for FY 1998 (Novels, 1997):

Table 1: Foreign Operations Appropriations: Discretionary (millions of dollars) taken from (Novels, 1997).

Multilateral Economic Aid	FY 1997 (Enacted)	FY 1998 (Requested)	House Bill	Senate Bill	FY 1998 Conference
World Bank - IFC	6.7	--	--	--	--
World Bank - Intl Dev Assoc	700.0	1,034.5	606.0	1,034.5	1,034.5
World Bank - Environment Fac.	35.0	100.0	35.0	60.0	47.5
Inter-American Dev Bank	63.1	76.4	46.4	76.4	76.4
Asian Dev Bank	113.2	163.2	113.2	163.2	163.2
African Dev Fund	.0	50.0	50.0	.0	45.0
European Bank for R & D	11.9	35.8	35.8	35.8	35.8
North American Dev Bank	56.0	56.5	56.5	56.5	56.5
IMF - ESAF	.0	7.0	.0	.0	.0
Intl Organizations & Programs	169.9	199.0	194.0	177.0	192.0

Total, Title IV - Multilateral	1,115.8	1,722.4	1,136.9	1,603.4	1,650.9
--------------------------------	---------	---------	---------	---------	---------

Today the World Bank has four main functions (Sanford, 1997):

- Making market-based loans through the International Bank for Reconstruction and Development (IBRD)
- Making concessional loans through the International Development Association (IDA)
- Providing credit, equal capital, and advice to private firms through the IFC, and
- Insuring private foreign investment in developing countries through the Multilateral Investment Guarantee Agency (MIGA).

The World Bank and IMF have often been criticized for not reaching their original objectives. While the Articles of Agreement of the IMF have been amended twice (in 1969 and in 1978), the original statement of purposes remains unaltered (Goode, 1985). The Bank's current role in fighting poverty seems to indicate that it is still striving to achieve its original mandate, to provide capital for reconstruction and development. The difference is that today the Bank's attention has turned from war-torn Europe to the world's poorest countries.

Focus on Poverty

The essence of development is improving one's level of well-being by enabling the individual to be productive. The Bank's efforts to enhance development should have the ultimate effect of raising the standard of living and reducing poverty. Today over 1 billion

people live in deep poverty, with per capita incomes of less than a dollar per day. Basic conditions must be improved through lowering population growth, and improving primary education, sanitation, health and nutrition.

NGO's have been involved in a number of policy changes that the Bank introduced in the late 1980's, these are (Griesgraber and Gunter, 1996):

- Systematic attention to environmental issues in project and policy work, and the establishment of a Vice Presidency for Sustainable Development, including Environment Department,
- Greater attention to the role of women in development,
- Greater attention to poverty issues that arose as a consequence of structural adjustment lending, especially in Sub-Saharan Africa (SSA), and the ensuing 'Poverty Reduction Program,'
- Greater participation in project preparation and implementation by people directly affected by these projects,
- Establishment of an Inspection Panel to bring complaints about projects to the attention of the Bank management and Executive Directors, and
- Establishment of a public information center and increased availability of project and economic documents.

The bank is experiencing an institutional revolution that is still in progress. Working together with NGOs, the World Bank has transformed itself into an identity whose main focus is on poverty reduction, as stated in *The World Development Report 1990*. An increasing proportion of lending has been dedicated to directly fighting poverty. Structural adjustment loans have been redesigned to ensure they do not adversely affect the poor. Some loans were even made to improve the social services delivered to the poorest populations.

It is said that women suffer most from poverty. The bank has given great attention to

educating women in order to aid in the reduction of population growth. A higher proportion of loans are being given now for human resource development that concerns women's issues.

The Bank loans primarily targeted for poverty reduction, especially for women and children, through education, basic infrastructure, productivity of small farmers, sanitation and water supply and basic health conditions amounted to 12-15 percent of total lending in 1991 and 1992. Human resource development lending (for education, health, nutrition, and family planning) has tripled since the early 1980s and is now at 15 percent of total lending (Griesgraber and Gunter, 1996).

The World Bank adopted a two-part strategy in 1992 aimed at eliminating the worst forms of poverty in developing countries by the year 2000 (Sanford, 1997). The first part emphasized the need for increased growth. First, the Bank would finance the construction of infrastructure and other necessary facilities while encouraging countries to adopt incentives and policies encouraging broad-based economic growth. Second, the growth would be supplemented with specifically defined poverty alleviation programs. This would ensure that the poor both gained from the growth, as well as contributed to it.

In 1993, plans were announced by the WB to cut the share of the world's population facing hunger in half in the next twenty years (Sanford, 1997). The World Bank also said it would place more emphasis, via microenterprise lending, on activities designed to meet the credit needs of poor borrowers, normally not considered creditworthy. Since then the Bank has acted to expand its support for microenterprise.

Microlending

Since it was first introduced in Bangladesh in 1976, microlending has gained wide

acceptance. This practice of matching small amounts of seed capital with the talents and entrepreneurship of people is simple and effective. Micro lending can revitalize entire communities by improving the lives of hundreds of thousands of people. This involves making small loans to businesspeople, allowing them to start a business doing anything from fixing shoes to selling oranges.

Groups of small entrepreneurs, individuals who can offer lenders no collateral because they own no assets, are formed. These individuals “collateralize” each other. All members of the group depend on each other to repay their loans. All individuals forfeit the chance for future loans if one member fails to repay his/her loan. This approach combines peer pressure and mutual support, and has produced pay back rates at approximately 98 percent (Trickle-up Economics, 1997). This is better than the pay back rates for individual loans.

Since its start two decades ago, the number of micro lending institutions had expanded to 6,000. Micro lending organizations (charitable foundations, government agencies, and nonprofit groups) now reach approximately 8 million people on six continents. A number of these lenders do not offer below-market interest rates but instead recoup their administrative costs by charging market rates and by securing their microloans (Trickle-up Economics, 1997).

This growth appears likely to continue. In a microcredit summit in Washington in February, 1997, a plan to reach 100 million poor families worldwide by 2005 was endorsed by 2,000 participants. Among these participants, the World Bank pledged new funds for microlending institutions (Trickle-up Economics, 1997).

World Bank’s Role in Microlending

In June of 1996, the World Bank’s IFC helped launch a \$35 million dollar fund to invest

in microbanks in Latin America and the Caribbean, called Profund (Microlending: From Sandals to Suits, 1997). Last year, World Bank (WB) officials approved a \$100-million concessional credit to help over 100 nongovernmental organizations in Bangladesh expand microlending to 1.2 million poor. Most of these borrowers were female. Microcredit programs for rural communities in Albania and victims of war in Bosnia have also been funded by the World Bank (Experts Cite Limitations of Microcredit, 1997).

Ismail Serageldin, Vice President of the WB, said the Bank would do its part to promote high standards and the best practices in microcredit programs. This would involve the International Finance Corp. (IFC), “the private-sector arm of the WB group,” which would work to build bridges between microfinanciers and the commercial sector, but would be primarily done through the Consultative Group to Assist the Poorest (CGAP) (Experts Cite Limitations of Microcredit, 1997).

In 1995, the CGAP was announced by the WB as a new initiative to support the microenterprise sector. It is a multi-donor attempt to lower poverty by focusing resources in microfinance. It strives to expand the successful work of the pioneer institutions. This was an effort begun by a Consultative Forum in June 1995, attended by 100 people, of which half were donors, and half were microlending practitioners. The World Bank was among the founding members. The CGAP was designed to last three years, but it is not known if it will end in 1998 (Platt, 1997).

World Bank’s Involvement in Africa

The Bank’s strong commitment to successful rural development can be seen in Guinea,

Malawi, Mali, Mauritania, and Uganda. These countries show the Bank's focus for monitoring the progress of rural development in areas other than agriculture and water supply, like poverty reduction, the provision of transport, and providing financial services to rural populations. The World Bank's support of private sector development focuses on strengthening microenterprises. In rural development, microenterprises play a vital role. In the Republic of South Africa, a model "microenterprise intervention" was achieved (World Bank Annual Report, 1997). This happened when the World Bank aided in the assembly of a team of international microfinance experts to work with South African NGOs, bankers, and government officials in an effort to expand access to financial services. The group proposed an apex organization as the centerpiece of its micro- and small-enterprise development program. The government adopted the group's proposal and this became operational in FY 1997.

World Bank's Involvement in South Asia

On July 16, 1997, the World Bank announced that it had provided \$2.011 billion in loans, credits and guarantees to South Asia for FY 1997. For the Bank's 19 project lending commitments, this included \$1.385 billion from the International Development Association (IDA) and \$626.5 million in loans from the International Bank for Reconstruction and Development (IBRD). These disbursements increased by more than \$400 million to a total of \$2.668 billion (World Bank Provides US \$2 Billion Loans to South Asia in FY 1997, 1997).

Disbursements were made as follows (World Bank Provides US \$2 Billion Loans to South Asia in FY 1997, 1997):

	FY 1997	FY 1996
India	\$1.563 billion	\$1.309.5 billion
Pakistan	\$644.6 million	\$521.1 million
Bangladesh	\$314.56 million	\$226.6 million
Sri Lanka	\$87.72 million	\$108.9 million
Nepal	\$58.42 million	\$82.4 million
TOTAL	\$2.668 billion	\$2.253 billion

The assistance program's main goal for FY 1997 was to provide high-quality services and innovative and efficient programs by involving broad community participation and working with partners.

The main efforts of the Bank's strategy involve helping countries improve their fiscal situation and move forward with reforms that will increase investment and savings, and attract foreign capital, therefore increasing the region's growth rate in a sustainable way. Priority was given to complementing the reform effort with programs to assist the region's human development, since social indicators remain weak (World Bank Provides \$2 Billion Loans to South Asia in FY 1997, 1997).

Among the projects that make up lending efforts to the South Asia region for 1997, is the Bangladesh Poverty Alleviation and Microfinance. This is (World Bank Announces FY 1997 Lending Results to South Asia Region, 1997):

A US\$ 105 million IDA equivalent credit which is being provided to more than 100 NGOs in an effort to expand microlending to 1.2 million poor and mostly female borrowers. Through training, research, impact evaluation, and disseminating best practices for increasing cost effectiveness, this project will also strengthen the institutional and financial viability of the lending agencies.

Future of Microcredit and the World Bank's Role

Microcredit is still far from the financial mainstream, but shows particular promise. Now over \$ 1 billion a year is lent to 8 million people throughout the world. There are even approximately 300 microcredit programs in America. Microcredit is seen as a cost-effective solution to alleviate poverty. By 2005, it is hoped that 100 million poor entrepreneurs will have access to microcredit. This "Microcredit Summit Declaration" has a price tag of \$21.6 billion and a specific plan of action (Microlending: From Sandals to Suits, 1997).

Despite the promise that microlending shows, some believe that danger lies in the overly-rapid expansion of this tool. They fear that offering too much money to poor entrepreneurs is a recipe for failure. Many say that if microcredit expands tenfold in eight years it may damage other forms of aid. The UK government's Overseas Development Administration (ODA) says, "Everyone agrees that microcredit is a good thing, but that doesn't mean the best way to make it flourish is to pour money down its throat." The ODA claims a tenfold increase may overburden the microcredit movement. "What we will have, if we're not careful, is no shortage of funds flowing to too few microcredit organizations, which cannot cope." A development consultant to Oxfam and co-author of a book on microcredit, Mr. Ben Rogaly is concerned that the microfinance interest could take away funds from less popular anti-poverty causes, such as famine relief. Approximately \$7.5 billion in new spending from the official aid budgets was called for in the Washington summit's plan of action. The World Bank's Consultative Group to Assist the Poorest anticipates spending all of its expected donor pledges (\$200 million) on microlending (A Leap in the Dark with Microloans: Small-scale Credit Could Help Half the World's Poor, Reports Simon Kuper, 1997).

Another question is whether there is an indefinite supply of microentrepreneurs. These skills may be innate. “India and China, for example, are very entrepreneurial, while in Russia appears to be more difficult for people to develop businesses,” says Women’s World Banking (A Leap in the Dark with Microloans: Small-scale Credit Could Help Half the World’s Poor, Reports Simon Kuper, 1997).

World Bank may serve more women in the future. The President of Women’s Asset Management, Inc, said (Prepared testimony by Michaela Walsh, President Women’s Asset Management, Inc, Director, Zimbabwe Progress Fund (Private) Ltd, before the Senate Committee on Foreign Relations Subcommittee on African Affairs, Women and Capital in Africa, 1996):

The World Bank and other institutions have not yet made a full commitment to ensuring that women are served by the capital marketplace. If a portion of all funds and information do not flow to women entrepreneurs, women will remain marginalized, economies will not grow productively, and opportunities will be lost. This will lead to harmful economic consequences, over and above the harm that will be done to the women themselves, as well as to the loss of an opening for change in societies that must be encouraged to move toward greater freedom.

She later commended the World Bank for recognizing the important contribution that microenterprise can make to strong free market economies, specifically mentioning the World Bank’s new \$30 million fund for microenterprise (Prepared testimony by Michaela Walsh, President Women’s Asset Management, Inc, Director, Zimbabwe Progress Fund (Private) Ltd, before the Senate Committee on Foreign Relations Subcommittee on African Affairs, Women and Capital in Africa, 1996). She felt that the Fund would serve as a catalyst for new resources to enter local economies. Microlending’s success will depend the design, management, and evaluation occurring from the inside, not the outside. The natives themselves must participate in

the design of the microlending programs, be responsible for the management structures, and help identify local opportunities for reinvestment.

Lastly, Ms. Walsh recommended that (Prepared testimony by Michaela Walsh, President Women's Asset Management, Inc, Director, Zimbabwe Progress Fund (Private) Ltd, before the Senate Committee on Foreign Relations Subcommittee on African Affairs, Women and Capital in Africa, 1996):

The President of the World Bank set up an independent Council of women entrepreneurs and investment bankers to identify the restrictions and costly barriers faces by most women as they try to obtain financing or enter the capital markets. This Council would formulate a range of opportunities for the Bank (and other financial institutions) to help remove those barriers, to recommend how a greater percentage of available capital can be invested through women-run businesses and to assure that women participate more fully in the development of the private sector of their countries.

In conclusion, the positive effects of microlending may soon have an impact on our own country and the World Bank's role in microlending may in the future be closer to home. As stated by the First Lady (The White House, Remarks by First Lady and Secretary of the Treasure at Microenterprise Awards Ceremony, 1997):

These micro-lending networks and the small businesses they create can be important tools in our efforts to move Americans off welfare and to give working but poor Americans more of a chance to realize their own potential. The loans represent not only an infusion of cash into a business but also an infusion of confidence in a recipient's ability to succeed...small neighborhood businesses created with micro-loans can bring much-needed jobs, goods, services, and opportunities to low-income areas. They are already showing that they can help reclaim our cities and destitute rural areas from decay and decline.

Reference List

- A Leap in the Dark with Microloans: Small-scale Credit Could Help Half the World's Poor, Reports Simon Kuper. (1997, January 31). The Financial Times (London), p. 4.
- Experts Cite Limitations of Microcredit. (1997, February 17). Businessworld (Manilla).
- Goode, Richard. (1985). Economic Assistance to Developing Countries Through the IMF. Washington, DC: The Brookings Institution.
- Griesgraber, J. M. & Gunter, B. G. (1996). The World Bank: Lending on a Global Scale. Chicago: Pluto Press.
- Microlending: from Sandals to Suits. (1997, February 1). The Economist. p. 75.
- Novels, Larry. (1997). Credit Programs: Micro and Small Enterprise Development Programs. Washington, DC: Library of Congress.
- Platt, Goron. (1997, January 22). Small Loans Net Big Results. Journal of Commerce, p. 1C.
- Prepared testimony by Michaela Walsh, President, Women's Asset Management, Inc, Director, Zimbabwe Progress Fund (Private) Ltd, before the Senate Committee on Foreign Relations Subcommittee on African Affairs, Women and Capital in Africa. (1996, July 11). Federal News Service.
- Sanford, Jonathan E. (1997). Multilateral Development Banks: Issues for the 105th Congress, Updated November 13, 1997. Washington, DC: Library of Congress.
- Transcript of Remarks by First Lady at Microcredit Summit. (1997, February 3). U.S. Newswire Inc.
- Trickle-up Economics. (1997, February 6). Journal of Commerce, Inc. p. 6A.
- The White House: Remarks by First Lady and Secretary of the Treasury at Microenterprise Awards Ceremony. (1997, February 6). M2 Communications Ltd.
- World Bank Announces Fiscal 1997 Lending Results to South Asia Region. (1997, July 16). M2 Communications Ltd.
- World Bank Annual Report 1997, World Bank, Washington, D.C.
- World Bank Provides US \$2 BLN Loans to South Asia in FY97. (1997, July 16) Asia Pulse: Nationwide Financial News, Washington. v.et d @1.
- World Development Report 1990. Lexis/Nexis. <http://www.ftp.worldbank.org/html/extpb/wdr95/WDRENG.html#Development>. (Accessed 1997, Sept 30).

14

Microcredit Strategies: Pluses, Problems and Possibilities

Wilson Tan

Nurjahan is a borrower of the Grameen Bank in Bangladesh. Her name means "the light of the world." Abandoned by her parents at three months of age and raised by a neighbor, Nurjahan was married at twelve-only to be abandoned by her husband a year later, while three months pregnant. She returned to the family who raised her, cooking for them while raising her son.

Before joining the Grameen Bank, Nurjahan had never earned more than US\$37.50 in a year and owned no land. After five years with Grameen. Her annual income is US\$250 (just above the national average) and she owns two goats, one pregnant cow, ten hens, and two-thirds of an acre of land. The land cost US\$1000, more than four times the average annual income. Seasonally, she employs two farm hands to assist with her rice crop. In a country where only 46 percent of the children reach grade 5, Nurjahan's son is now in 8th grade.

("Microcredit," 3)

The story is familiar. An impoverished woman, exploited and desperate, finds the Grameen Bank, borrows a small amount of capital, starts a small business of her own, turns both her life and her family's life around, becomes a full-fledged mini-capitalist, and succeeds in joining the ranks of the lower middle class in her country. This concept of providing small loans to the poor is called microcredit and has recently become the talk of the town with regards to alleviating poverty and development in Third World countries. What is more, thousands of such incidents are reported in numerous developing countries daily. Suddenly, microcredit and

microenterprise have become the key vocabulary words in the combat against poverty.

Microcredit defined

Microcredit is defined as a loan which a financial institution gives to the poorest people, who do not have any collateral, to start small businesses ("Summit," 1). Traditionally, banks only provide loans to people who have some form of collateral to guarantee that the banks get back their credit. Microcredit turns the traditional banking concept upside down by giving loans to the very poor in order to assist them to become self-reliant through self-employment. In the words of John Hatch, founder and chairman of ACCION International, microcredit is designed to allow the poor to "participate in the free market system" (qtd. in United States "Value," 17).

Support for Microcredit Enterprises

Microcredit lending or microlending seems a very viable alternative in helping the poor become more self-reliant. By providing the needed loan, albeit a small one, the impoverished are given the badly needed break to begin improving their lives through starting their own microenterprises. There are a number of reasons why microcrediting has become a popular development tool today in the effort to alleviate poverty. The following are some of the main reasons:

The possession of assets brings about positive changes in behavior

In a congressional testimony Professor Michael Sharraden of Washington University expressed a general view that is driving support for microcredit programs:

When people begin to accumulate assets, their thinking and behavior change as well...they think in the long term and how they can use the assets to meet long term goals. Assets are hope in a concrete form. With assets, people work extra hard to maintain and improve what they have.

(qtd. in United States, "New Strategies," 7)

The concept is that people's behavior will change when they have an opportunity to increase their assets or possessions. Because the poor has traditionally been denied this opportunity, microcredit provides them with the initial capital to begin improving their lifestyles.

Self-employment is essential in life

According to Dr. Muhammad Yunus, founder and managing director of Grameen Bank, every microloan a poor individual takes from Grameen Bank for a microenterprise endeavor, is a ticket to self discovery. In Grameen terminology, self employment is the key to human life ("Grameen," 15). Not only does it provide the poor with resources to sustain themselves, it also gives them a sense of pride and self-worth because what they begin to have is ultimately a result of their own efforts.

Millions of microentrepreneurs are already in developing countries

One argument to support the microenterprise endeavor is the fact that about 50 to 70 percent (about 500 million people) of the labor force in developing countries are already made up of the self employed poor—microentrepreneurs ("Microenterprise," 1). The problem is, many of these people are unable to obtain legitimate loans to help them with their businesses and they usually end up at the mercy of loan sharks. Microcredit, thus, seems to be a promising method to assist these poor entrepreneurs in obtaining loans legitimately and safely.

Economic policies destroy job opportunities

Kavaijit Singh, Nan-Dawkins Scully, and Daphne Wysham pointed out that numerous macroeconomic policies and the effects of globalization have destroyed many jobs in the formal sector (2). They further explained that drastic cuts the World Bank imposed on structural adjustment programs, together with the absence of any social safety net, had resulted in difficult

situations for the poor. In other words, there is no other way for the poor to survive except through self-employment, the preferred method of microcredit institutions. Microlending provides support to the poor through easy access to loans to help them start their own small businesses.

Microcredit is revolutionary

Because of the overwhelming global economic forces that constrain Third World countries, many grassroots development efforts fail in the economic area rather than in the social area (Durning, 28). While there has been consistent success in developing the areas of health and education, grassroots organizations have a problem in the area of economic development. Microcredit, thus, becomes a popular tool because it focuses on an area which has not been deemed an area of proven success. On top of that, the successes of microcredit experiments in many developing countries increases its appeal as a development method of the 90s.

Microenterprises find favor with the world's leaders

From Hillary Clinton to the ex-Prime Minister of Japan to numerous aid agencies ("Summit," 4-5), microenterprise has been lauded as a credible instrument in the war against poverty. In 1994, the US congress and US AID launched the Microenterprise Initiative which committed to spend \$140 million on microcredit in 1996 ("Congressional," 1). Many such initiatives have taken place since then. With support from such individuals and agencies, coupled with the success stories of institutions like Grameen Bank, ACCION, and FINCA, there is little room left to doubt the microenterprise movement.

Financial apartheid keeps the poor, poor

Yunus claimed that the poor remained poor because of financial institutions which refuse

to provide credit for them, a situation which he termed "financial apartheid" ("FINANCE," 2).

He added that in a world where "money begets money," the poor can overcome their situations if the experience of the Grameen Bank can be replicated. The success of his institution has become the driving force for many other replicate programs all over the world which attempt to end "financial apartheid."

Taking the Microcredit Ride

Why is it that everybody is suddenly excited about another poverty alleviation innovation that appears to be too good to be true? The following statements seem to sum up the faith and positive attitude towards microcredit.

Hatch pointed out that "microenterprise is on the brink of becoming for the poor what the green revolution was for agriculture" (qtd. in United States "Value," 14). He admonished national leaders, and leaders of applicable support organizations to take microenterprise seriously now or "forfeit an opportunity of historic proportions." The vision that microcredit can change the world in a big way is certainly a driving thrust in the support microenterprise is receiving.

Singh, Scully, and Wysham gave four reasons why everyone is jumping on the microcredit bandwagon:

1. Microenterprise is viewed as a potential leader in empowering women.
2. It is an opportunity for multilateral banks to move away from capital intensive "development as charity" to the more profitable "development as business."
3. There is a great deal of money to be made in microlending.
4. It is a win-win situation for the lending institution and the loaner (1).

Benjamin A. Gilman, Chairman of the Committee on International Relations of the House of Representatives, claimed that microcredit can be seen as a "hand up" and not a "hand out" in an era of budget cutting to identify foreign assistance programs that are "real winners" (qtd. in United States "Value," 1).

Thus, it is clear that because of the belief that microenterprise can deliver a number of things—empowerment for women, national recognition, poverty alleviation, profits—and the fact that it has delivered on many occasions, the microcredit movement is gathering positive momentum. After the recent Microcredit Summit in February, where hundreds of people and organizations from all over the world met to discuss this microrevolution, microlending and microenterprise may very well be the single most talked about event in the world of development. Yet, does this highly recommended program, made famous by the Grameen Bank of Bangladesh, deliver? Or, is it merely political and economic rhetoric by lending institutions to increase revenue?

Poverty defined

In 1995, it was estimated that more than 1 billion people, or one-fifth of the world's population, lived in extreme poverty, which is deemed the leading cause of death today ("Enough," 1). There is an extreme contrast between the lifestyles of the affluent and the poorest peoples. While many live in abundance and material prosperity, many others struggle daily just to put food on the table.

In a speech given at Brigham Young University, Yunus claimed that poverty is not created by the poor but rather by the institutions around them, especially banks. Alan B. Durning pointed out that in the 1980s, the main causes of poverty were resource depletion,

environmental degradation, high interest rates and colossal debt burdens, excessive population growth, restrictive economics, protectionism, poor prices for commodities produced by developing countries, and governments that were unwilling to implement controversial programs (28). The situation today is still very much the same.

Many of the poor remain poor despite many government aid programs implemented to assist them. Looking at the Grameen experience, it is not surprising that microenterprise and microcredit emerge as the major weapons in people's arsenal today to combat the social ill called poverty.

At this point, however, it is necessary to look at the disadvantages of a much touted program that seems too good to be true—is microcredit all it is made out to be, or are there negative effects which need to be considered as well? The following section will discuss in some detail the potential problems and pitfalls related to microcredit and its related enterprises.

Microbugs: Problems related to microcredit and microenterprise

It must be remembered that no movement or program exists that has no problems. This section is merely an attempt to study some of the "bugs" which may plague investors and beneficiaries of microcredit programs. In the words of Hirshman, "There are no successful projects, only those with less problems" (qtd. in Tendler, 31). Microcredit and microenterprise are no exceptions.

Replicability

The problem of replicating the success of the Grameen Bank is a real one. An analysis of Grameen's success must include an overview of the conditions in Bangladesh. Bangladesh has a population of 109,579,000 with a density of 1971 persons per square mile. The ethnic

composition is 97.7 percent Bengali, 1.3 percent Bihari, and 1 percent tribal natives. The official language, Bengali, is spoken by almost 103 million people in the population. In the 70s, Bangladesh was devastated by a war, and in the 80s it was struck by a disastrous flood which left 25 million people homeless and three quarters of the nation underwater. The unemployment rate is 30 percent with a job composition of 11 percent industry, 74 percent agriculture, and 15 percent services (East). It is under these adverse conditions that the Grameen Bank gained its phenomenal success as a microlending institution and poverty fighter.

Microcredit institutions need to be aware of these conditions before implementing their programs, because a different job and population composition could result in a very different success rate which may need a very different implementation program. Also, the concept of poverty and need is different for every nation. Cultural differences pose a problem, as well. Because of all these factors, replication of successful microcredit models such as Grameen's may not be appropriate in other nations where conditions are significantly different. For example, the caste system in India may prove to be a great barrier in microenterprise development because people would not form alliances across castes (Yunus "Grameen," 154). Another example of a cultural barrier pointed out by Yunus is the anti-loan attitude adopted by Muslim fundamentalists in Pakistan ("Value," 24).

Focus on profit, not poverty

Microlending has a potential of making huge profits because of its higher than market rate interest and greater than 94 percent loan returns. Because of that, many financial institutions may jump onto the microcredit bandwagon for profit purposes rather than alleviation of poverty purposes. This attitude and practice could severely affect the poor who borrow from these

institutions.

According to Gina Neff, by the end of the conference, the Microcredit Summit seemed nothing more than an international "pep rally" for banking ("Microsubmitting," 1). Singh, Scully, and Wysham also cautioned about the importance of distinguishing between two types of microlenders—those whose primary goal is empowerment of the poor and those whose primary goal is profit. It is the latter group, they point out, that keep the poor in debt by charging exorbitant interest rates (2). The problem with hard selling microcredit is the possibility that banks may gain and adopt the perception that they can make money from the poor.

Detraction from needed aid programs

Duncan Millar warned that microcredit efforts could redirect aid away from other programs like basic health and education programs and urged that the participants at the Microcredit Summit do not seek to reallocate resources from existing anti-poverty budgets to microfinance programs (1). Paul Grosen of the United Nations Capital Development Fund added this insight: "The poor are creditworthy, yes, but sometimes, grants—such as capital for startups, training programs, technology upgrades, capacity building, and rehabilitation —are more appropriate approach[es] to reducing poverty than loans" (qtd. in Neff "Microsubmitting," 3).

The concern is that the increased attention to microcredit efforts may actually entice aid agencies such as the World Bank to cut down on existing support to other needed areas such as welfare programs that millions of poor people depend on for subsistence survival. Any drastic change in their aid may adversely affect the living conditions of these people's already difficult lives. Microcredit, thus, becomes a convenient device for governments who are eager to cut

spending on domestic and foreign poor.

Loans not used to alleviate poverty through microenterprise

One of the greatest criticisms of microcredit is the fact that many of the poor who take loans from microcredit institutions do not actually end up using the loans for the purpose they were loaned it. Instead, those loans were used to meet the poor's daily consumption needs (Singh, Scully, and Wysham, 1). Neff further pointed out that despite eight years of borrowing, about 55 percent of Grameen households are still unable to meet basic nutritional needs ("Microcredit," 1). In situations where people are too poor to even put a meal on their tables, these loans may be used to survive. Lack of capability to be microentrepreneurs can drive the poor to take advantage of these loans to meet their immediate needs. A resultant evil from this is that they end up further in debt.

Time

One of the problems with microcredit enterprises is that results most often take a long time to be noticeable, especially among impoverished people who need to first build their confidence and esteem levels ("Grameen," 9). Many institutions may stop their support if they do not see results in a number of years. The average Grameen borrower takes almost eight years to get out of the poverty level. Many people would already have given up by then.

Problem of debt

There is no question that debt entraps people, especially the poor. This has also been a strong criticism of microcredit. Fauzi AI-Sultan, president of the International Fund for Agricultural Development, issued a poignant reminder at the recent Microcredit Summit when he said that every loan taken constitutes another burden to the poor borrower (qtd. in Neff

"Microsubmitting," 3). What is worse is the fact that the poor are even more unable to handle a potential disaster in their microenterprise.

Adverse impact with regards to exploitation of women

In a study by Anne Marie Goetz and Rina Sen Gupta, they discovered that a significant proportion of loans women borrowed from Grameen were invested by their male relatives, despite the fact that they were the ones who bore the brunt of those loans. Goetz and Gupta also reported that only 37 percent of women borrowers actually had significant control over their businesses, while another 22 percent did not even know how their husbands, fathers, brothers, or sons used the loan because they were "never involved in the investment process" (qtd. in Neff "Microcredit," 2). It appears that women are either still subservient to the men in their societies, or that the men are using women to get the loans they want. Neff argued that instead of empowering women, Grameen may actually have turned them into "collection agents" ("Microcredit," 2).

Marketability of microenterprise products

One issue that has to be dealt with is that the poor microentrepreneur's product may not have a sufficiently large market for the individual to turn a profit. Scully pointed out that the efficiency approach in microlending may be detrimental where there is a "weak market" for the products which microentrepreneurs produce ("Panacea," 2). One has to face the reality of market demand and supply laws. While microentrepreneurs may not be limited by dedication and hard work, they can be severely limited by their skills and ability to market what they produce.

In Singh, Scully, and Wysham's effective analogy, using microcredit enterprises as a

poverty alleviation tool in the current global economic situation is like "giving a man a fishing pole and telling him to go fish in the wake of a giant trawler whose net spans the horizon" (2). Both microlenders and potential microentrepreneurs need to carefully study the feasibility of marketing the product or service before embarking on the microenterprise journey.

Summary of Microcredit Constraints

Mary E. Okelo effectively summed up ten constraints to microcredit development which may lead to problems for microentrepreneurs. These constraints are as follows:

- 1.Lack of available financing
2. Lack of markets for microentrepreneur products
- 3.Lack of appropriate low cost technology
- 4.Restrictive government policies
5. Insufficient data on microenterprises
- 6.Unsupportive social norms
7. Poor management skills
8. Weak accounting practices
9. Poor product finishing
10. Unsupportive institutional or legal structures (243).

With regards to microcredit efforts, both microlenders and microentrepreneurs need to be careful of getting carried away by the microcredit hype. All these constraints need to be analyzed based on existing local conditions in order to prevent costly and potentially devastating effects to the poor.

Suggestions

An analysis of problems related to microcredit enterprises is not complete without suggestions to check or overcome them. The following are some suggestions to address the problems related to running microcredit enterprises as a way to overcome the effects of poverty.

Alleviation of poverty is a matter of will

Yunus firmly pointed out that the alleviation of poverty is solely a matter of will ("Microcredit"). To him, the ability to pull oneself up by the bootstraps is the most important step in fighting poverty. Each individual, through determination, has the potential to raise himself or herself out of the dire situation he or she may be in. With the assistance of support programs like Grameen and a steadfast faith in one's self, solutions to the problems related to microenterprise can be found and dealt with. And, like Nurjahan, one can escape from the steel fingers of poverty and raise the standard of living of one's family through faith and hard work.

This suggestion applies to governments and policy makers as well. Through exercising their wills, they can allow microcredit and microenterprises to achieve their full potential and be the needed tools to alleviate poverty in the world.

Ability to dream

Closely related to the concept of will is the ability to dream. Yunus claimed that "we cannot create something which we cannot imagine first" ("Microcredit"). For both the poor and for society as a whole, the abolition of poverty will remain wishful thinking if they are unable to imagine a world free from the ills of poverty. The strength and power of a great vision cannot be underestimated, as in the case of Dr. Martin Luther King and his dream of human rights in America. Likewise, the solution to poverty and the problems related to microcredit as a weapon against poverty lies in the strength of the collective dream which both the poor and the affluent must jointly create and share.

Political lobbying

Another key area to ensure the success of microcredit endeavors, with an agenda of alleviating poverty, is political lobbying. A recent example is the lobbying carried out at the

Select Committee on Hunger at the United States Congress. Current policies of the welfare program Aid for Families with Dependent Children (AFDC) limits the total amount of assets owned by families on the program to US\$1000. The aid given is withdrawn when a family's total assets exceed this amount. In his appeal, Congressman Fred Grandy requested the asset base for AFDC recipients to be raised to US\$10,000 instead of the current base of US\$1000 for those families who are involved in microenterprises (qtd. in United States "New," 7). This would allow the microentrepreneur who is starting out to have a "safety net" for basic needs, such as groceries and schooling for the children, while working on the success of the microbusiness.

This effort to legislate actions that will assist poor microentrepreneurs who are just starting out their endeavors helps in many ways to ensure that basic needs are met until a time when the individual is able to become independent.

Learn from others' successes

The Self-Employed Women's Association (SEWA) in India has enjoyed remarkable success in their microcredit and poverty alleviation program. Organized as a union for poor women, SEWA not only offers credit as one of its range of services, but also provides political organizing activities, training in business, leadership, and mediation skills, coupled with project assistance and lobbying support (Neff "Microcredit," 3).

According to Paul Kennel, Grameen's success lies with cost effectiveness and efficiently run programs, active promotion of self sufficiency, and sustainable activities (1-3).

The Grameen model may lack some of the provisions of SEWA and vice versa, but what is important in the effort to alleviate poverty through microcredit is the willingness to learn from

each other and the ability to change and adapt to fit the situations of the host nation.

Creation of proper control mechanisms

One way to overcome the problem of microlending institutions that tend to make profits instead of pursuing the poverty. Alleviation agenda is to create a proper "regulatory and supervisory framework" which is open to close public scrutiny, under which microlending concerns have to operate (Singh, Scully, and Wysham, 2). These bodies will be able to monitor interest rates, collection activities, training programs, and so forth to ensure that the poor are not being exploited. Having such a standard will result in a greater effort on the part of lending institutions to ensure that their activities are legitimate and the interests of their clients are foremost.

Conclusion

There is no doubt that microcredit is a viable alternative to welfare handouts as an instrument to alleviate poverty. There is also no doubt that microcredit has its fair share of constraints and problems. The utilization of a method that is dependent on capitalism will ultimately be constrained by the laws of the market. This fact has to be realized by both microlender and microentrepreneur before any effective strategy can be developed between them to achieve the reality of poverty alleviation. This situation is made evident in an ironic example at the conclusion of the Microcredit Summit in February. Neff recounts that on the last day of the summit, in the vendors' hall where products of microenterprise products are sold, one vendor selling handmade paper notebooks had marked his price down by 50 percent because of poor demand ("Microsummitting," 3). The harsh laws of demand and supply apply to each individual microentrepreneur. He or she must realize that with microenterprise, fishing in the wake of a giant trawler using only a fishing pole, may very well be the reality in one's hope of achieving success through self employment and microcredit.

References

- "Congressional Action to Support Microcredit." Online. Available:
<http://www.action.org/microfa.html>.
- Durning, Alan B. World Watch Paper 88: Action at the Grassroots: Fighting Poverty and Environmental Decline. Washington: World Watch, 1989.
- East, Roger et al. "Bangladesh." World Fact File. NY: Facts on File, 1990.
- "Enough is Enough: The Economics of it All." Online. Available:
<http://www.peoplesfund.com/poorest2.html>.
- "FINANCE: Grameen Founder Seeks Antipoverty Focus on Microcredit." IPS World News 1 Feb. 1997. Online. Available: <http://www.oneworld.org/ips2/feb.micro.html>.
- "Grameen Bank—Banking on the Poor." Online. Available:
<http://www.action.org/summary.html>.
- Kennel, Paul. "The Big Idea about Small Loans." Online. Available:
<http://www.worldconcern.org/n022197.html>.
- "Microcredit Summit 2-4 Feb. 1997." Online. Available:
<http://www.brookes.ac.uk/mcswww.html>.
- "Microfinance Programme: What Works." Online. Available: <http://www.hari@soc.titech.ac.jp>.
- Millar, Duncan. "FINANCE: How Bankable is Microfinance?" IPS World News 27 Jan. 1997.
 Online. Available: http://www.oneworld.org/jan27_micro.html.
- Neff, Gina. "Microsubmitting." Online. Available:
http://www.panix.com/dhenwood/micro_summit.html

---. "Microcredit, Microresults." Online. Available:

<http://www.panix.com/dhenwood/micro.html>.

Okelo, Mary E. "Support for Women in Microenterprises in Africa." Jacob Levitsky. Ed.

Microenterprises in Developing Countries: Papers and Proceedings of an International Conference. London: Intermediate Technology, 1989. pp. 240-250.

Scully, Nan-Dawkins. "Microcredit: No Panacea for Poor Women." Online. Available:

<http://www.igc.org/dgap/micro.html>.

---. "Women See Gaps, Can't Give Bank Credit for New Loan Program." Bank Check

Quarterly. Online. Available: <http://www.igc.org/dgap/women.html>.

Singh, Kavalilt, Nan-Dawkins Scully, and Daphne Wysham. "Microcredit: Band Aid or

Wound?" Indian Economy Overview. Online. Available:

http://www.m_web.com/aval.html

Tendler, Judith. "Whatever Happened to Poverty Alleviation?" Jacob Levitsky. Ed.

Microenterprises in Developing Countries: Papers and Proceedings of an International Conference. London: Intermediate Technology, 1989. pp. 26-56.

United States. Select Committee on Hunger. New Strategies for Alleviating Poverty: Building,

Hope by Building Assets. Washington: GPO, 1991.

United States. Committee on International Relations. The Value of Microenterprise

Development. Washington: GPO, 1995.

Yunus, Muhammad Dr. Grameen Bank: Experiences and Reflections. Bangladesh: Grameen,

n.y.

- . "Grameen Bank: Organization and Operation." Jacob Levitsky. Ed. Microenterprises in Developing Countries: Papers and Proceedings of an International Conference. London: Intermediate Technology, 1989. pp. 144-161.
- . "Microcredit and Economic Development in the Third World." Brigham Young University. Provo, November 13, 1997.

Appendix

A Directory of Microcredit Programs Around the Globe

Jennifer Frost Cobia

Microcredit-related organizations assisting Europe/Eastern Europe

Albanian Development Fund

World Bank Project

Rruga e Durrësit

Instituti i Tokave Laprake,

Tirane, ALBANIA

Tel: +042 285 48, 042 35597, 042 35598;

Tel/Fax: +042 348 85

73 Svobody Str., Room 210

Voronezh 394 006, RUSSIA

Tel: +7-0372-776181

NOA

Zupaniska 7/11

Osijek, CROATIA

Tel: +385-31-24255;

Fax: +389-31-128-354

Conorzio Ctm-Mag

Piazzetta Forzaté, 2/3 - 35137

Padova, ITALY

Tel: 39-49-651865;

Fax: 39-49-8755714

Opportunity Eastern Europe

Ken Vander Weele,

Dapontegasse 2,

A-1030 Wien, AUSTRIA

Tel: +43-1-715-2598

Fax: +43-1-715-2588

INITIATIVE MIKRO

Al. Krasinskiego No. 11-a

Krakow 31-111, POLAND

Tel/Fax: +48-12-22-42-57

Opportunity Deutschland

7060 Schorndorf

Alchenbachstr 136

GERMANY

Tel: +49-7181-603 374

Fax: +43-1-715-2588

IZVOR Foundation

P-ta Trandafirilor Nr. 33 ap. 43

4300 Tg-Mures, ROMANIA

Tel/Fax: +40-65-163080

MOJNOSTI

Ul. Marshal Tito No. 21/2

Skopje 91000, MACEDONIA

Tel: +389-91-123-279

Fax: +389-91-233-319

Opportunity Russia

25, Bolshaya Pokrovskaya, Suite 14,

Nizhny Novgorod, 603005 RUSSIA.

Tel./Fax: 7-8312-337227

E-mail: opport@kis.ru

NACHALA Foundation

67, Vitosha Blvd.

Sofia 1000, BULGARIA

Tel: +359-2-817254, +359-2-897145

Fax: +359-2-815549

SOPRICHASTNOST

Beregovaya/Pervaya Linia No. 97/91

Rostov-on-Don, RUSSIA

Tel/Fax: +7-8632-534133

Triodos Bank NV,

Prins Hendriklaan 9-11,

NEW UNION

3700 AB Zeist, NETHERLANDS

Tel: +31 30 693 65 00

Fax: +31 30 693 65 55

AIDE (Association Pour le Droit À L'initiative Economique)
 111, rue Saint-Maur
 75001, PARIS, FRANCE
 Tel: 01 43 55 98 94
 Fax: 01 43 55 98 83

U.S. Russia Investment Fund (USRIF)
 17 State Street, 33rd Floor
 New York, NY 10004
 Tel: 212-504-0400
 Fax: 212-668-0770

VOZMOZHNOT
 Pamirskaya 11
 Nizhny Novgorod, RUSSIA 603600
 Tel: +7-8312-525-497
 Fax: +7-8312-520-305

Microcredit-related organizations assisting Africa

ACCORD headquarters
 Francis House 3rd floor
 Francis Street
 London SW1P 1DQ
 United Kingdom
 Tel: 0044-0171-8287611/12
 Fax: 0044-0171-9766113

ACCORD-Eritrea
 P.O. Box 5538
 Asmara
 Eritrea
 Tel: 002911-1822070
 Fax: 002911-182121

Credit Against Poverty (NGO)
 Godfrey Mureriwa, Executive Director,
 Credit Against Poverty,
 No. 11 Heller Street, Masvingo
 Zimbabwe, Africa
 Phone: 263-39-63445 or 64090
 Fax: 263-39-62764
 E-mail: ZUBF@mango.zw

FADU (Farmers Development Union)
 2nd Floor, Brown House
 Monatan Bus Stop,
 P.M.B. 56, Agodi, P.O.
 Ibadan, Oyo State, Nigeria

Southern Zone Credit and Savings Scheme
 Mandefera
 Eritrea
 Tel: 002911-611316
PRIDE Tanzania
 P.O. Box 13900,
 Arusha, Tanzania.
 Tel: 255-57-2945;

Get Ahead Foundation
 P.O. Box 3776
 Pretoria, SOUTH AFRICA, 0001
 Tel.: (012) 320 6530;
 Fax.: (012) 320 8286

Government of Egypt, Social Fund for Development
 Head Office
 1, Hussein Hegazy Street (off Kasr El-Aini Street)
 Cairo, EGYPT
 Tel: 3540077, 3559877, 3545035
 Fax: 3561660, 3550628
 E-mail: sfdmis@powermail.intouch.com

Ouelessebougou-Utah Alliance
 1025 South 700 West
 Salt Lake City, UT 84104
 Tel: (801) 887-1225
 Fax: (801) 978-9565

PRIDE AFRICA, Washington Office
 1600 Wilson Boulevard, Suite 500,
 Arlington, VA 22209, USA.

PRIDE AFRICA headquarters (Promotion of Rural Initiatives and Development Enterprise (NGO))
 P.O. Box 39320,
 Nairobi, Kenya.
 Tel: 354-2-749511;
 Fax: 254-2-745363;
 E-mail: PRIDE@africaonline.co.ke

Fax: 255-57-4050;
 E-mail: ptz@africaonline.co.ke

PRIDE Uganda
P.O. Box 7566
Kampala, Uganda.
Tel: 256-485-20826;

E-mail: PRIDE@starcom.org

Microcredit -related organizations assisting Latin America and the Caribbean

ACCIÓN International
120 Beacon Street,
Somerville, MA 02143 - USA
Tel: (617) 492-4930
Fax: 617-876-9509

Juticalpa, Olancho, HONDURAS
Tel./Fax: (504) 85 1381

CDRO (Cooperative Association for Western Rural Development, Cooperación para el Desarrollo Rural de Occidente)
Executive Director, Gregorio Tzoc Norato
Tierra Blanca Poxtuj
Tonicapán, GUATEMALA
Tel: (502) 9 66 2175 or 2177 or 2179;
Fax: (502) 9 66 2183

FENAPE (Federação Nacional de Apio aos Pequenos Empreendimentos)
SHIS QI 07 Bloco B Salas 203/204 - Entrada 24
Lago Sul - Brasília-DF - CEP 70615-570
Tel: (061) 248-7132;
Fax: (061) 248-5513;
E-mail: fenape@ax.apc.org

CEAPE Network (Small Business Support Centers)
FENAPE
SHIS QI 07 Bloco B Salas 203/204 - Entrada 24
Lago Sul - Brasília-DF - CEP 70615-570
Tel: (061) 248-7132
Fax: (061) 248-5513
E-mail: fenape@ax.apc.org

FONCAP (Fondo Fiduciario de Capital Social)
Secretaria de Desarrollo Social, Presidencia de la Nacion
Pte. Juan Domingo Perón
524 PB (1038)
Capital Federal, REPÚBLICA ARGENTINA

COPEME (Consortio de ONG's que apoyan a la Pequeña y Micro Empresa)
León Velarde 333
Lima 14, PERÚ
Tel: 51 1 4719526
Fax: 51 1 4716816
E-mail: postmaster@copeme.org.pe

Instituto de Fomento a la Comercialización Campesina (IFOCC)
Jr. Humberto Luna 204,
Barrio Magisterial - 1ra. Etapa,
P.O. Box 641, Cusco, PERÚ
Tel: (+51) (84) 23 3142
Fax: (+51) (84) 23 3005
E-mail: ifocc@ifocc.org.pe

Emprender Fundación para el Desarrollo de la Microempresa (EMPRENDER) (NGO)
Emprender
Sobremonte 2097 Piso 1°
1646 Virreyes, ARGENTINA
Tel/Fax: (54-1) 746-4004/3993/2237
E-mail: 102213.3460@compuserve.com

Inter-American Development Bank
Microenterprise Unit, E0421
Inter-American Development Bank
1300 New York Ave., N.W.
Washington, DC 20577
Fax: (202) 623-2307
E-mail: sds/mic@iadb.org
Website: www.iadb.org/ENGLISH/index_english.html

FAMA (Family and the Environment, Familia y Medio Ambiente)
Executive Director: Camila Elvir
Apartado Postal 115

Katalysis/Honduras
Apartado Postal 3622
San Pedro Sula, Cortéz, HONDURAS
Tel: (504)52 57 53;
Fax: 001 (504)52 61 78;
E-mail: katrfohon@mayanet.hn

Microcredit-related organizations assisting strictly Latin America and the Caribbean (cont.)

Katalysis-North/South Development Partnership
Katalysis/USA
1331 N. Commerce St.

Stockton, CA 95202 USA
Tel: (209) 943-6165;
Fax: (209) 943-7046

E-mail: katalysis2@mayanet.hn or
katalysis2@aol.com
 Web site: www.interaction.org/ia/mb/katalasi.html

*MiBanco: El Banco de los Microempresarios
 Comité Técnico
 Av. Chinchón 901,
 5° Piso,
 San Isidro Lima 27-PERÚ
 Tel: (511)442-2102;
 Fax: (511) 422-3806;
 E-mail: mibanco@amauta.rcp.net.pe*

*MUDE (Association for Women in Development,
 Asociación de Mujeres ed Desarrollo)
 Executive Director, Catarina Mendoza
 3a Calle A 1-27A, Lomas del Sur
 Villa Nueva, GUATEMALA
 Tel./Fax: (502) 6 311 663*

*Nicaraguan Community Development Loan Fund
 (NDCLF)
 c/o WCCN
 P.O. Box 1534
 Madison, WI 53701 - USA*

*ODEF (Organization for Women's Enterprise
 Development, Organización de Desarrollo
 Empresarial Femenino)
 Executive Director; Santa de Euceda
 Apartado Postal 357
 San Pedro Sula, Cortéz, HONDURAS
 Tel: (504) 52 3571;
 Tel/Fax: (504) 52 7034*

*PROCOMES (Cooperation for Community Projects
 in El Salvador, Corporación de Proyectos Comunales
 de El Salvador)
 Executive Director: Blanca Flor Bonilla
 Ciudad Satélite, Calle Júpiter J-35
 San Salvador, EL SALVADOR
 Tel/Fax: (503) 274 0321*

*Seed Capital Development Fund, Ltd.
 Executive Director, Gil Crawford
 1828 L. Street, NW Suite 1030
 Washington, DC 20036
 Tel: (202) 785-8300;
 Fax: (202)785-0799;
 E-mail: GHCrawford@aol.com*

Microcredit-related organizations assisting Latin America and the Caribbean (cont.)
COPEME-member NGO's

A.B. PRISMA (Asociación Benéfica de Proyectos en Informática, Salud, Medicina y Agricultura)

Carlos Gonzales 251
 Urb Maranga
 Lima 32, PERÚ
 Tel: 51 1 4640130 or 464089;
 Fax: 51 1 4529758;
 E-mail: postmaster@prisma.org.pe

ANC (Asociación Nacional de Centros de Investigación y Promoción del Desarrollo)

Pablo Burmúdez 234,
 Lima 11, PERÚ
 Tel: 51 1 4333477;
 Fax: 51 1 4333470;
 E-mail: credito@anc.org.pe

APDES (Asociación de Paromoción y Desarrollo Social)

Jr. Issac Newton 7123
 Urb. Sol de Oro.
 Lima 39, PERÚ
 Tel/Fax: 51 1 5335046

ARARIWA (Asociación para la promoción técnico-cultural andina)

Av Los Incas 1606 Wanchaq
 Cusco, PERÚ
 Tel: 51 84 236887;
 Fax: 51 84 236889

CARE-PERU (Cooperación Americana de Remisas al Exterior)

Av Gral Santa Cruz 659
 Lima 11, PERÚ
 Tel: 51 1 4334781;
 Fax: 51 1 4334753;
 E-mail: login@carepe.org.pe

CEAS (Comisión Episcopal de Acción Social)

Av. Salaverry 1945
 Lima 14, PERÚ
 Tel: 51 1 4710790;
 Fax: 51 1 4717336

CEDEPAS (Centro Ecuménico de Promoción y Acción Social)

Jr. Ayacucho 690
 Huancayo, PERÚ
 Tel/Fax: 51 64 222536

CENCA Instituto de Desarrollo Urbano-CENCA

Coronel Zegarra 426
 Lima 11, PERÚ
 Tel: 51 1 4215866;
 Fax: 51 1 4712034;

E-mail: postmaster@cenca.org.pe

CEPES (Centro Peruano de Estudios Sociales)

Av. Salaverry 818
 Lima 11 PERÚ
 Tel: 51 1 43366100
 Fax: 51 1 43317444
 E-mail: cepes@cepes.org.pe

CRS-PROMUC (Promoción de la Mujer y de la Comunidad)

Vasco Nuñez de Balboa 610
 Lima 18, PERÚ
 Tel: 51 1 4443733 or 44460127
 Fax: 51 1 4444578
 E-mail: postmaster@crspe.org.pe

EDAPROSPRO (Equipo de Educación y Autogestión Social)

Jr. Octavio Bernal 598
 Lima 14, PERÚ
 Tel: 51 1 4634173; Fax: 51 1 4630776;

FODIVA (Formento de la Vida)

Av. Javier Prado Oeste 109
 Lima 17, PERÚ
 Tel: 51 1 4614856;
 Fax: 51 1 4610106;
 E-mail: postmaster@fodiva.org.pe

FONDESURCO (Fondo de Desarrollo Regional)

Av. República Argentina 326
 Urb. La Negrita
 Arequipa, PERÚ
 Tel/Fax: 54 283715;
 E-mail: postmaster@colca.org.pe

IDEAS (Centro de Investigación, Desarrollo, Educación, Asesoría y Servicios)

Av. Arenales 651
 Lima, PERÚ
 E-mail: postmaster@ideas.org.pe

MUJER Y SOCIEDAD (Centro de Comunicación e Investigación Aplicada)

Montero Rosas 1328
 Santa Beatriz
 Lima 1, PERÚ
 Tel/Fax: 51 1 4729005

SEA (Servicios Educativos El Agustino)

Renán Olivera 249
 Lima 10, PERÚ
 Tel/Fax: 51 1 3270784

***Microcredit-related organizations assisting Indonesia, India, Pacific, Asia
and/or Southeast Asia***

ASA (Association for Social Advancement)
23/3 Block-B
Khilji Road
Mohammedpur,
Dhaka-1207
G.P.O. Box No. 2507, BANGLADESH
Tel: 9116375., 819828, 810934, 810935;
Fax: 880-2-811175;
E-mail: asa@drik.bgd.toolnet.org

BRAC's Rural Development Program
BRAC Centre
356 Mohakhali
Dhaka 1212, BANGLADESH
Tel: 884180-7 or 884051-4;
Fax: 880-2-883-542 or 883-614;
E-mail: general@brac.bdmail.net

BURO Tangail
M. Mosharrof Hossain, Director
18/KA Pisciculture Housing Society
Ring Road
Shymoli,
Dhaka 1207, BANGLADESH
Tel: 880-2-815815 or 880-2-9125492;
Fax: 880-2-9112340

Cambodia Canada Development Program (CCDP)
180 Ste-Catherine Est
Bureau 620
Montréal, CANADA H2X 1K9
Tel: (514)877-4222;
Fax: (514) 877-4223;
E-mail: ccdpmtl@web.net

Cambodia Canada Development Program (CCDP)
P.O. Box 635
#198 Street 370
Boeung Keng Kang,
Phnom Penh, CAMBODIA
Tel/Fax: (855)23 427 338;
E-mail: ccdp-pnh@pactok.peg.apc.org

*CASHPOR, Inc. (Network for Credit and Savings for
the Hardcore Poor in Asia-Pacific)*
Professor David Gibbons, Executive Trustee
6 Lorong 4/1, Taman Permata, (Lobok) 70200
Seremban N.S., Malaysia
Tel: (606)7645116;
Fax: (606) 7642307
E-mail: gibbons@pc.jaring.my

FISHCRESS Network (Fisheries Credit Support Services)
Bank Indonesia Complex
Credit Department
J1 M.H. Thamrin No.2
Jakarta 10110, INDONESIA
Tel: (62-21) 2311694 or 3818524;
Fax: 380-20-23

Grameen Foundation
Alex Counts, Executive Director
236 Massachusetts Ave. N.E.
Washington, DC 20002
Fax: (202) 543-7512

GRAMEEN Trust Bank
Grameen Bank Bhaban
Mipur-2
Dhaka 1216, BANGLADESH
Tel: 80-63-19 (office); 81-79-40 (Residence)
Tel/Fax: 880-2-80-63-19;
Internet: Grameen@driktap.tool.nl

KASHF Foundation
First Floor Ahmed Arcade
161-Ferozpur Road
Lahore, PAKISTAN
Tel: 92 42 7562810 11
Fax: 92 42 7570256
E-mail: credit@kashff.1hr.erum.com.pk

LEAD (League for Education and Development)
40 First Street,
Rayar Thoppu
Srirampuram, Srirangam, Trichirapalli
Tamil Nadu, INDIA 620006
Tel: 0091 431 432803;
Fax: 0091 431 432803

MICROCREDIT PROJECT - INDONESIA
Credit Department, BANK INDONESIA
Jl. Kebon Sirih 78,
Jakarta, INDONESIA
Tel: +62 (21) 381-8592 or 381-8595;
Fax: +62 (21) 381-8591

*NEICORD (North East India Committee on Relief and
Development)*
Post Box 92
GPO Shillong
793 001
Meghalaya, INDIA
Tel: 227317;
Fax: (91) 0364-225585

***Microcredit-related organizations assisting strictly Indonesia, India, Pacific, Asia and/or
Southeast Asia (cont.)***

P4K Pusat
 J1 Harsono RM No. 3 Ragunan
 Jakarta 12550, INDONESIA Tel/Fax: 62 21 7805209
 E-mail: osh187@centrin.net.id

PHBK (Project Linking Banks and Self-Help Groups in Indonesia)

Bank Indonesia - UK/PHBK
 Jl. M.H. Thamrin No. 2
 Jakarta 10110, Indonesia
 Tel: (021) 3817987-91
 Fax: (021) 2310722

PRISM BANGLADESH (Projects in Agriculture, Rural Industry, Science & Medicine) (NGO)

House #49, Road #4A,
 Dhanmondi R/A
 Dhaka 1205, BANGLADESH

PROSHIKA

I/1-Ga, Section 2, Mirpur
 Dhaka 1216, BANGLADESH
 Tel: 805812, 803398, 806015, 805945
 Fax: 880-2-805811
 E-mail: info@proshika.agni.com

SEWA Bank (Self Employed Women's Association)

Shri Mahila Sewa Sahkari Bank Ltd.
 Sakar II,
 OPP Town Hall
 Ellisbridge, Ahmedabad 380-006

TLSS (Empowerment of Women Through Poverty Alleviation, Thengamara Mohila Subuj Shangha

Rtn. Professor Hosne Ara Begum, Director
 P.O. Box 66
 Bogra 5800
 BANGLADESH
 Tel: 051-5719; Fax: 880-2-838194

Working Women's Forum, India (WWF)

55 Bhimansena Garden Road
 Lyanpore,
 Ladras - 600 004, INDIA
 Tel: 91-44-4992853 or 4993937;
 Fax: 91-44-4992853

Enterprise Mentors International

510 Maryville College Drive, Suite 210
 St. Louis, MO 63141
 Tel: (314)453-0006
 Fax: (314)453-0959

(PEDF) Philippines Enterprise Development Foundation

3rd Floor, Consuelo Bldg.
 1365 E. Rodriguez Sr. Street
 Quezon City, Metro Manila
 Tel: 722-8981

Global Microcredit organizations

Action for Enterprise

1600 Wilson Blvd., Suite 500
 Arlington, VA 2220
 Tel: 703-243-9172;
 Fax: 703-243-1865
 E-mail: 75221.3506@compuserve.com

CALMEADOW

365 Bay St. #600
 Toronto, Ontario, CANADA L5H 2V1
 Tel: 416-362-9670;
 Fax: 416-362-0769

E-mail: calmead@inforamp.net

CARE's Small Economic Activity Development for Women Program (SEAD)

151 Ellis Street NE
Atlanta, GA 30303-2439
Tel: 404-681-2552;
Fax: 404-577-5761

E-mail: media@care.org

Web site: www.care.org

Catholic Relief Services headquarters

209 West Fayette Street
Baltimore, MD 21201-3443 - USA
Tel: 1-800- 410-625-2220;
Fax: 410-685-1635

Web site: www.catholicrelief-crs.org

Catholic Relief Services

Small Enterprise Development Company Limited

270/1 Krungsrinok Road
P.O. Box 29,
Luang

Surin 32000, Thailand

Tel: 66-44-512846

Fax: 66-44-516064

E-mail: yboontid@mozart.inet.co.th

Credit with Education

c/o Freedom From Hunger

1644 DaVinci Court

Davis, CA 95617

Tel: (916) 758-6200

Fax: (916) 758-6241

E-mail: info@freefromhunger.org

Développement International Desjardins (DID)

150, Avenue des Commandeurs,

Lévis (QUÉBEC) G6V 6P8

Tel: (418)835-2400

Fax: (418) 833-0742

E-mail: info@did.qc.ca

Trickle-Up Program (NGO)

54 Riverside Drive

New York, NY 10024

Tel: (212) 362-7958;

Fax: (212) 877-7464;

E-mail: 73444.557@compuserave.com;

Internet: www.vita.org/trickle

FINCA International, Inc.

1101 14th Street,
Washington, DC 20005;

Tel: 202-682-1510;

Fax: 202-682-1535;

E-mail: 76215.1036@compuserve.com

website: www.VillageBanking.org

IFAD (International Fund for Agricultural Development)

Via de Serafico, 107

00142 Rome, ITALY

Tel: +39-6-54591;

Fax: +39-6-5043463

E-mail: ifad@ifad.org

Latter-day Saint Charities

50 East North Temple St.

Salt Lake City, UT 84150

Tel: (801)240-3026

Fax:

Opportunity International

360 West Butterfield Road

Elmhurst, IL 60522, USA

Tel: (630)279-9300

Fax: (630)279-3107

Web site: www.opportunity.org/au

OXFAM America

26 West Street

Boston, MA 02111-1206

Tel: 617-482-1211

Web site: www.oxfamamerica.org

SIDI (Société d'Investissement et de Développement International)

47, quai des Grands-Augustins - 75006 PARIS - FRANCE

Tel: (33) 01-40-46-77-00

Fax: (33) 01-46-34-81-18

Global Microcredit organizations (cont.)

United Nations Development Program (UNDP)

Private Sector Development Program

One United Nations Plaza

UH-8th Floor

New York, NY 10017
Tel: (212) 906-5315;
Fax: (212) 906-3655;
E-mail: hq@unpd.org
Web site : www.undp.org/

*United Nations Department for Development Support
Management and Services*
One UN Plaza, DC1-1220
New York, NY 10017 - USA

*UNICEF (United Nations Children's Fund)
Division of Communication*
3 UN Plaza, H-6F
New York, NY 10017 - USA
Fax: 212-326-7059
E-mail: pubdoc@unicef.org
Web site: www.unicef.org

Women's World Banking
8 West 40th Street
New York, NY 10018
Tel: (212) 768-8513;
Fax: (212) 768-8519;
E-mail: wwb@igc.apc.org

Women's Opportunity Fund
P.O. Box 3695,
Oak Brook, IL, 60522, USA
Tel: (708) 279-9300;
Fax: (708) 279-3107

World Bank
Homepage: www.worldbank.org

Sustainable Banking with the Poor
Tel:
Fax: (202)522-1662

Additional Microcredit Networks

Additional Microcredit Networks–Global

International Coalition of Women and Credit

West 40th Street
10th Floor
New York, NY 10018 - USA
Tel: 1-212-768-8513
Fax: 1-212-768-8519

Micro-finance Network

733 15th Street, Suite 700,
Washington, CD 20005 - USA
Tel: 1-202-393-113;
Fax: 1-202-93-115

SEEP Network

c/o PACT,
777 United Nations Plaza, 6th Floor,
New York, NY 10017 - USA
Tel: 1-212-808-0084;
Fax: 1-212-692-9748;
E-mail: seepny@undp.org

World Organization of Credit Unions (WOCCU)

805 15th Street, NW Suite 300,
Washington, DC 20005 - USA
Tel: 1-202-879-0224;
Fax: 1-202-682-9054

Agricultural Cooperative Development International (ACDI)

50 F Street, N.W., Suite 900,
Washington, DC 20001 - USA
Tel: 1-202-879-0224;
Fax: 1-202-626-8726

Additional Asian Microcredit Networks

Banking with the Poor

232 Adelaide Street
P.O. Box 10445
Brisbane QLD 4000 - AUSTRALIA
Tel: 61 7 3236-4633
Fax: 61 7 3236-4696
E-mail: fdc@ozemail.com.au

Additional African Microcredit Networks

Reseau d'Initiatives et du Credit Autogerees in Afrique (REICA)

c/o FONG, SBP,
Thies - SENEGAL
Tel: 221 51-12-37;
Fax: 221 51-20-59

PAMF

B.P. 1236,
Cotonou, Benin
Tel: 229 33-06-39
Fax: 229 33-07-33

PRAOC

01 BP 529,
Ouagadougou - Burkina Faso
Tel: 226-31-2983

Faulu Africa

P.O. Box 60240,
Nairobi, KENYA
Tel: 254 2 569-328;
Fax: 254 2 567-504;
E-mail: faulu@maf.org