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FEASIBILITY AND OPERATIONALIZATION OF MICROCREDIT FINANCE FACILITIES TARGETING POOR WOMEN IN URBAN AND RURAL AREAS IN SELECTED ARAB COUNTRIES:

THEORETICAL PERSPECTIVES AND PRACTICAL CONSIDERATIONS

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* The views expressed in this paper are those of the author, and should not necessarily be considered as reflecting the views or carrying the endorsement of the United Nations.

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ABBREVIATIONS

ADPSH	Agricultural Development Project in the Southern Highlands
ADRA	Adventist Development and Relief Agency
AFESD	Arab Fund for Economic and Social Development
APEL	Association pour la Promotion de l'Emploi et du Logement/ Association for the Promotion of Employment and Housing
ASAD	Association de Soutien à l'Auto-Développement/ Association for the Support of Self-Development
ASMSP	Agricultural Sector Management Support Project
ATE	Agence Tunisienne de l'Emploi/Tunisian Agency for Employment
ATFP	Agence Tunisienne de la Formation Professionnelle
AUB	American University of Beirut
BIT	Bureau International du Travail (ILO)
BRAC	Bangladesh Rural Advancement Committee
BTS	Banque Tunisienne de Solidarité/Tunisian Solidarity Bank
CACB	Cooperative and Agricultural Credit Bank
CFJFR	Centres de Formation de La Jeune Fille Rurale/ Centres for Training Young Rural Women
CGAP	Consultative Group to Assist the Poorest
CLS	Centre for Lebanese Studies
CNFCE	Chambre Nationale des Femmes Chefs d'Entreprises/ National Chamber of Female Heads of Enterprises
CPFCD	Centres for Productive Families and Community Development
CRS	Catholic Relief Services
CREDIF	Centre de Recherches, d'Etudes, de Documentation et d'Information sur La Femme/ Center for Research, Studies, Documentation and Information on Women
ENDA Inter-Arab	Environnement et Développement dans le Monde Arabe/ Environment and Development in the Arab World
ESCWA	Economic and Social Commission for Western Asia
EU	European Union

ABBREVIATIONS (*continued*)

FEKDR	Fondation El Kef pour le Développement Regional/ El Kef Foundation for Regional Development
FNVT	Fédération Nationale des Villes Tunisiennes
FODERI	Fonds de Développement Rural Intégré/ Fund for Integrated Rural Development
FONAPRAM	Fonds National de la Promotion de l'Artisanat et des Petits Métiers/ National Fund for the Promotion of Handicrafts and Small Enterprises
FPAFP	Fund for the Promotion of Agricultural and Fishery Production
FSN	Fonds de Solidarité Nationale/National Solidarity Fund
FTSS	Fédération de Tunis de Solidarité Sociale/ Tunis Social Solidarity Federation
GAPFCD	General Administration for Productive Families and Community Development
GDI	gender-related development index
GDP	gross domestic product
GEM	gender empowerment measure
GGLS	Group Guarantee Lending and Savings Program
GSLM	group-based savings and lending mechanism
GTZ	Gesellschaft für Technische Zusammenarbeit/ German Agency for Technical Cooperation
HDI	human development index
HIID	Harvard Institute for International Development
ICU	Institute for University Cooperation (Rome)
IFAD	International Fund for Agricultural Development
INSTRAW	International Research and Training Institute for the Advancement of Women
LCD	Lebanese Cooperative for Development
NCW	National Commission for Women
n.d.	no publication date given
NGO	non-governmental organization

ONA	Office National de l'Artisanat/ National Office for Handicrafts
ONAA	Organisation des Nations Unis pour l'Alimentation et l'Agriculture (FAO)
OPEC	Organization of Pertrolum Exporting Countries
PDRI	Programme de Développement Rural Intégré/ Integrated Rural Development Programme
PDUI	Programme de Développement Urbain Intégré/ Integrated Urban Development Programme
PPFCD	Programme for Productive Families and Community Development
PRD	Programme Régional de Développement/ Regional Development Programme
PVO	private voluntary organization
ROSCA	rotating savings and credit association
RWDD	Rural Women Development Directorate
SEDU	Small Enterprise Development Unit (Industrial Bank of Yemen)
SFD	Social Fund for Development
SOFD	Social Organization for Family Development
UNARDOL	United Nations Assistance for the Reconstruction and Development of Lebanon
UNCDF	United Nations Capital Development Fund
UNDDSMS	United Nations Department for Development Support and Management Services
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UPME	Unité de la Promotion de la Micro Entreprise/ Unit for the Promotion of Micro-Enterprises

ABBREVIATIONS *(continued)*

USAID	United States Agency for International Development
UTSS	Union Tunisienne de Solidarité Sociale/ Tunisian Social Solidarity Union
WWB	Women's World Banking

Executive summary

This position paper is intended to contribute to the ongoing debate on the link between microcredit finance and poverty alleviation. More specifically, the aim is to address two interlinked concerns: the extent to which microcredit contributes to the alleviation of poverty among poor urban and rural women and whether/how microcredit functions as a means of empowering women.

Three Arab countries—Lebanon, Tunisia and Yemen—have been selected for the purpose of analysing microcredit finance facilities, chosen for the diversity of experiences they represent.

Microcredit does not operate in a vacuum; therefore, the paper will by necessity also address the link with economic activities facilitated by access to loans.

The focus here is on micro-enterprises (which employ 2-10 workers) rather than on small-scale enterprises (which generally employ 11-50 workers), given the latter's link with business growth entrepreneurship rather than with poverty alleviation per se. A distinction is also made between one-person-owned/-operated enterprises (income-generating activities), and true micro-enterprises.

The paper begins with an overview of current discourses and lessons learned with regard to the subject of microcredit and its link with poverty alleviation, summarized as follows:

(a) Economic development and human development rationales are both put forward in supporting the use of microcredit finance facilities as part of the transition from a State-led strategy to a market-oriented policy environment; reference is made to the contribution of micro- and small-scale enterprise development to economic growth, and to developing the skills of the poor (given that labour is among their most important assets);

(b) In targeting the poor for microcredit, a distinction is generally made between the "poorest of the poor" and the "enterprising poor", which in turn implies a distinction between "protectional" microcredit and "promotional" microcredit provision. The transition between these two categories tends to be blurred; however, it can be said that protectional loans may provide the poorest with the means to gradually reduce their income vulnerability and reach a point where they can use promotional loans for investment in income-generating activities or micro-enterprise development;

(c) Though "micro" is obviously context-specific, there is some consensus in the literature surveyed that a decision on loan size needs to take into account a borrower's earning, repayment and investment capacity;

(d) Providing microcredit to help combat poverty is by no means a new concept; it has for some time been part of the development and poverty alleviation interventions of non-governmental organizations (NGOs). NGOs may provide loans directly to the poor, or may function as an intermediary between the borrower and the microfinance institution. Currently, the debate is focused on promoting the sustainability of NGO microcredit programmes;

(e) Formal banking institutions have generally not been involved in providing microcredit to poor population groups. However, with the current focus on enhancing the sustainability of microcredit finance facilities and promoting the private sector, there is now a heightened interest in developing the role of formal banking institutions in this respect;

(f) There is presently considerable debate over the provision of subsidized microcredit. Various arguments have been put forward in favour of applying real interest rates to loans given to the poor, since this contributes to the sustainability of microcredit lending institutions and represents a more effective means of targeting the poor and avoiding "leakage" to the non-poor. In the case of the Arab region, the debate on interest rates acquires the additional dimension of what is generally referred to as Islamic banking principles;

(g) There is much discussion about linking access to microcredit with mandatory savings, not only to discourage the perpetuation of a welfare mentality, but also to contribute to the sustainability of microcredit finance services by reducing the reliance of national NGOs on donor funding;

(h) A case generally exists for promoting group-based savings and lending mechanisms, building on models of informal rotating savings and credit associations (ROSCAs), though it is acknowledged that their success depends on a number of factors. The debate on the extent to which group-based lending is more productive and cost-efficient than individual-based lending remains inconclusive;

(i) There is a consensus that microcredit should be part of a package of poverty alleviation interventions that includes providing training to acquire skills, facilitating access to land and other assets/resources, dismantling barriers hindering access to finance, promoting the provision of affordable inputs/raw materials and a minimum level of infrastructure and basic services, supporting market demand for enterprise products, and ensuring an enabling legal environment. In a recent report by the Secretary-General of the United Nations, it is concluded that microcredit finance targeting the poor "can succeed provided it is accompanied by other services, especially training, information and access to land ... and appropriate technology", which requires "strong support from the public sector" (United Nations, 1998: 5);

(j) There is no apparent consensus regarding the actual impact of microcredit as a poverty alleviation tool, in part owing to the difficulty of identifying quantitative/qualitative indicators that can be used to measure its cost-effectiveness. The above-mentioned report indicates that "it is not clear if the extent to which microcredit has spread, or can potentially spread, can make a major dent in global poverty" (ibid.: 4).

In terms of the links between microcredit, gender and poverty, experiences in various socio-economic settings indicate the following:

(a) The relationship between gender and poverty is more complex than is generally assumed. It is now recognized that it is not poverty per se that leads to women's subordination in society and in the economy, nor can women's subordination be explained primarily in terms of poverty. Gender inequality can further exacerbate poor urban/rural women's vulnerability to poverty in socio-economic contexts in which they are disadvantaged relative to their male peers (the class variable must be kept in mind in this context);

(b) While both poor men and poor women may face problems in obtaining access to affordable microcredit, poor women tend to be hampered further by gender-specific constraints, including their relatively low education and skill levels; cultural norms restricting their physical mobility; demands on their time as they endeavour to balance their reproductive and productive roles, a task made more difficult by the gender-based unequal division of labour; the relatively low economic value placed on their paid and unpaid activities, further perpetuated by the latter's invisibility in statistical data; and their limited access to assets and social services and limited control over resources;

(c) If the process of targeting poor women is to be effective, a distinction must be made between "pre-entrepreneurial", "subsistence entrepreneurial" and "enterprising" women. The types of economic activities pursued by these women, induced by access to microcredit, will differ according to urban/rural context, with loan size having implications for both scope and scale. However, it should also be borne in mind that women's entrepreneurial attitudes and aptitudes are of some relevance, with implications for the transition from protectional to promotional credit provision, and for whether they remain self-employed, pursuing home-based income-generating activities, or embark on the process of developing and sustaining actual micro-enterprises;

(d) The point cannot be emphasized enough that where access to microcredit is linked to the traditional economic activities of women, their workload may increase since the traditional gender-based division of labour is not questioned, but may actually be reinforced. This reflects the general failure to address gender-based discrimination within the household and in the labour market, and the way in which the gender gap is reinforced by sector- and occupation-based segregation and earning differentials;

(e) There is an ongoing debate focusing on the "minimalist approach" versus the "microcredit-plus approach", with the latter incorporating a complex of interlinked development interventions, in particular training. Evidence suggests that, where the minimalist approach is applied, poor women are generally given no opportunity to acquire market-relevant skills and will therefore tend to be confined largely to labour-intensive and economically unprofitable income-generating activities. Taken together with the above-mentioned gender-specific constraints, this generally explains the tendency of poor women to opt for less risky economic activities requiring minimal capital outlay, which in turn explains why they require smaller loans than their male peers;

(f) The above observations have implications for the design of gender-sensitive microcredit programmes. Such programmes need to be flexible and take account of the gender-specific constraints that may interfere with poor urban/rural women's access to microcredit and, equally crucial, may affect the use of and control over loans and their social/economic benefits. A "blueprint" approach to microcredit programme design must be avoided;

(g) In relation to the microcredit-plus approach, there is increasing recognition of poor women's need for training to acquire a wide range of skills if their income-generating activities and micro-enterprise efforts are to be profitable and sustainable. In this respect, it is necessary to identify the distinct needs of the poor women in the different categories identified earlier, and to adapt conventional training material (on management, accounting and so on) to suit these different categories. It is also being increasingly recognized, however, that training alone is insufficient; skill acquisition must be inextricably linked with access to affordable microcredit and other supportive measures that address the gender-specific constraints affecting women's role and status and hindering their equal participation in the development process;

(h) The pertinent literature reveals that there is no clear consensus on the complex link between access to microcredit and women's empowerment. However, in general, a distinction is made between two basic approaches. The minimalist approach is based on a relatively narrow perception of empowerment, where access to microcredit is assumed to function as a catalyst for positive changes in women's socio-economic status. The broader empowerment approach acknowledges the linkages between intra-household dynamics, the community, the market and the State, and recognizes the need to address the structural (social, economic, political and legal) factors that impede women's access to microcredit finance facilities and interfere with their right to control the use of loans and to share equally in the resulting benefits.

For the purpose of analysing the operationalization of microcredit finance in the three Arab countries concerned, a survey was carried out (with the help of national resource persons) on selected facilities providing microcredit and/or supporting micro-enterprise development. In Lebanon, 21 national and international facilities providing microcredit finance were surveyed; in Tunisia, seven public sector and six NGO facilities providing microcredit, as well as five public sector facilities directly/indirectly supporting micro-enterprise development, were surveyed; and in Yemen, six public sector and two NGO facilities (one national and one international) targeting women, either exclusively or in addition to male beneficiaries were surveyed (see annexes I-III for details on the facilities concerned).

The availability/accessibility of data and information on the three countries concerned borne in mind, the analyses of the objectives, characteristics and mode of operation of the selected facilities in the three countries, and of the contribution of their activities to poverty alleviation and promoting women's empowerment, suggest the following tentative conclusions (obviously requiring verification through pertinent impact evaluation studies):

(a) The three countries differ in terms of the extent to which the public sector is involved in the provision of microcredit finance; the Government plays a larger role in Tunisia and Yemen, while in Lebanon it is mainly the NGO sector which provides this service to the poor. There would appear to be a link between public sector involvement in microcredit finance and the focus on human resources development in pertinent national poverty alleviation strategies;

(b) In all three countries, subsidized microcredit is the predominant trend and is in many cases linked with grant and client share elements. Few of the surveyed facilities charge real interest rates. Interestingly, among those charging market rates are NGO-supported group-based savings and lending mechanisms exclusively targeting women;

(c) There are discernible differences between the extent to which loans are conditionally linked with strengthening existing or developing new enterprises and the extent to which such conditional provisions are actually enforced. The degree of enforcement is largely linked to whether a minimalist or a microcredit-plus approach is implemented by the facilities surveyed; variations of both approaches are discernible in all three countries surveyed;

(d) Regarding the gender aspects of microcredit finance, it is interesting to note that no public sector facility exclusively targets poor women; among the institutions surveyed, only a minority of the NGOs do so. In Tunisia and Yemen, evidence suggests that explicitly targeting both genders is the dominant approach, while in Lebanon an appreciable number of the facilities surveyed seemingly adopt a more or less gender-neutral approach to targeting beneficiaries, matched by a roughly equal number of facilities explicitly targeting both genders;

(e) In all three countries available/accessible evidence suggests that female borrowers' share of disbursed loans is generally lower than that of male borrowers. It comes as no surprise that small loans are typically linked to income-generating activities carried out by self-employed females rather than to female-headed micro-enterprises employing paid workers;

(f) Moreover, female borrowers with relatively small loans tend to invest in economic activities involving traditional female skills, which in effect implies confinement to less productive/profitable market niches. This reflects the impact of the complex of gender-specific factors that constrain poor women's involvement in economically viable enterprise activities;

(g) There is a need to distinguish clearly between the pre-entrepreneurial woman, the female subsistence entrepreneur and the enterprising woman in the three countries concerned. This is linked to the effectiveness with which microcredit may function as part of a complex package of poverty alleviation tools. Evidence suggests that where a more innovative approach to linking women's access to microcredit with economically profitable—and therefore less stereotypically female—micro-enterprise activities is discernible, the link with poverty alleviation tends to be rather tenuous;

(h) Regarding the link between access to microcredit and women's empowerment, in none of the available/accessible documentation on programme objectives of the microcredit finance facilities surveyed is there explicit mention of women's empowerment. When the subject was raised with selected facilities singled out for further study in the three countries concerned, there emerged an apparent link between the minimalist microcredit approach and the minimalist empowerment approach, where poor women's access to affordable loans is presumed to function as a catalyst inducing positive changes in respect of their socio-economic status, but where minimal attention is given to the need to support women's reproductive role. The microcredit-plus approach appears to be linked with the broader empowerment approach, but only insofar as this includes efforts conducive to raising the self-awareness and promoting the self-confidence of the poor women concerned; within this context, poor women are perceived as individuals in their own right, and not only in terms of their reproductive role and membership in their households;

(i) It should be pointed out that the translation of "empowerment" into Arabic as "enabling" appears to inadvertently encourage variations in interpretations of the term that largely reflect perceptions of women's gender role and the flexibility of cultural boundaries in this respect;

(j) Just as access to microcredit cannot by itself alleviate poverty and needs to be linked to a comprehensive package of poverty alleviation interventions, microcredit cannot effectively empower poor women unless it is accompanied by serious attempts to address the structural causes underlying the existing manifestations of gender inequality. To this may be added the reality that not every poor woman (or for that matter, every poor man) is a budding entrepreneur just requiring the "right" kind or combination of support to unleash her entrepreneurial energies. There is a need to consider poor women's aptitudes and the ability of each individual to take action and make choices, and the impact of the cultural and socio-economic context in this respect;

(k) It is evident that the process of poor women's empowerment needs to be viewed in terms of a continuum; movement from a minimalist to a broader approach to empowerment is required if sustainable human development is to be achieved. This process may vary from one culture or society to another in terms of the number of stages it entails, as some countries in the Arab region are situated further along the continuum than others; however, in all cases, a high degree of commitment is required to ensure that the process continues to move in the direction of reducing the gender gap by effectively addressing the structural/root causes perpetuating the gender-based unequal division of labour and unequal access to/control over assets and resources.

A number of recommendations targeting the different groups involved, namely, national Governments, NGOs and bilateral/multilateral donors, are offered in part three of the paper. Underlying all these recommendations is the call for re-evaluating current assumptions regarding the contribution of microcredit to poverty alleviation. In particular, there is a need to accord more attention to, and to invest in, a complex package of gender-sensitive poverty alleviation tools, of which microcredit is but one component. Microcredit finance can only contribute to achieving poverty alleviation objectives if it is accompanied by parallel efforts that address the root causes of the gender-specific manifestations of poverty. This points to the need for coordination and cooperation not only between microcredit finance projects, and between such projects and non-finance interventions, but also between bilateral/multilateral donors supporting microcredit programmes targeting poor urban and rural women in the Arab region.

Introduction

This position paper is intended to contribute to the ongoing debate on the manner in and extent to which microcredit finance facilities contribute to poverty alleviation.[1] In particular, the paper focuses on the feasibility of providing microcredit finance facilities for poor women in urban and rural areas in selected Arab countries and on how these facilities are operationalized.

Two interlinked concerns within the gender and development debate are addressed, namely, (a) the extend to which microcredit contributes to alleviating poverty among poor female population groups in urban and rural areas, and (b) whether/how microcredit functions as a means of empowering women.

Microcredit does not operate in a vacuum; it is the use to which it is put that reflects whether and/or to what extent it contributes to improving the livelihood of the poor. Therefore, the paper will by necessity also address the link with economic activities deriving from access to microcredit.

The paper is divided into three parts. Part one provides some insight into the rationale for supporting microcredit finance facilities, how microcredit is perceived to be linked to poverty alleviation, and the relevance of different types of facilities in this respect.

The issue of feasibility is addressed through an overview of lessons learned from various development contexts. This is followed by a discussion of the link between access to credit, poverty alleviation and women's empowerment, taking account of relevant experiences so far, and thereby identifying the parameters within which this discourse may optimally take place.

Part two of the study focuses on the operationalization of microcredit finance facilities in Lebanon, Tunisia and Yemen, three Arab countries chosen for the diversity of experiences they represent.[2]

Lebanon, which ranks 66th in the human development index (HDI) from among the 174 countries listed in the 1998 *Human Development Report* published by the United Nations Development Programme (UNDP), has a long-established tradition of non-governmental organization (NGO) activity and is currently addressing the

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[1] A distinction is generally made between microcredit lending and microcredit finance; the former pertains to access to loans, while the latter covers a range of services apart from credit, such as savings and insurance (Kidder, 1997: 433).

[2] Information for part two of this paper was collected with the support of Ms. Fatheya Barhan in Yemen, Ms. Nabila Hamza in Tunisia, and Mr. Fady Yarak in Lebanon, three resource persons whose contribution to providing insight into selected aspects of microcredit finance facilities in the countries concerned is gratefully acknowledged by the author.

challenges of meeting the social and economic demands associated with post-war reconstruction and reducing the poverty gap (UNDP, 1998a: 146).

Tunisia, ranked 83rd in the HDI (ibid.), has a relatively long history of microcredit experience that is explicitly linked to micro- and small-scale enterprise development. Tunisia provides an example of a country with a relatively strong public sector presence in this field.

Yemen is the only least developed country in the region and is ranked 151st in the HDI (ibid.: 147). The challenges here relate to the operation of microcredit finance facilities where there are a number of infrastructural impediments and socio-cultural constraints on the mobility of women, particularly in rural areas.

In Part three, the conclusion attempts to synthesize the discussion and analysis of the preceding two parts, and a series of recommendations addresses the parties whose policies directly or indirectly affect the complex link between microcredit, poverty and gender, namely, national Governments, NGOs, and international agencies and donor institutions.

PART ONE

CURRENT DISCOURSES ON SELECTED ASPECTS OF MICROCREDIT FINANCE FACILITIES

I. RATIONALE FOR SUPPORTING MICROCREDIT FINANCE FACILITIES

Generally, two distinct types of arguments (which overlap to some extent) are put forward as rationales for supporting microcredit finance facilities. Essentially these reflect various perspectives of poverty alleviation strategies as means of achieving sustainable human development.

A. ECONOMIC RATIONALE

Though access to finance cannot by itself generate income, microcredit is viewed as an important input into the process of developing micro- and small-scale enterprises.[3] Such enterprises are perceived to have the potential to make an important contribution "to economic development in countries that are moving from a State-led strategy towards a market-oriented policy environment that favours the private sector"; structural adjustment programmes are believed to contribute to improving the climate within which these enterprises operate (Parker, Riopelle and Steele, 1995: 1).

Another economic rationale cited is that, by contributing to the development of new micro- and small-scale enterprises and the consolidation of those already established, microcredit indirectly supports the efficient use of labour as a factor of production. This contributes to economic growth and therefore to sustainable development. Obviously this presupposes that, on balance, more micro- and small-scale enterprises are established, sustained and/or expanded than cease to be operational (cf. Mead and Liedholm, 1998).

There is evidence to suggest that these enterprises make more efficient use not only of labour but also of capital. This counters the previously held view "that credit and savings had to be mobilized for investment in the industrial sector, and that credit for micro-enterprises would not benefit the national economy since it would merely reinforce low levels of productivity" (Hilhorst and Oppenoorth, 1992: 16-17).

[3] A review of the literature reveals an ongoing debate concerning the distinction between micro- and small-scale enterprises, with the fact kept in mind that the two "can differ considerably between countries, within a country between regions or from urban to rural areas" (Teszler, 1993: 20). The present paper follows the majority in defining micro-enterprises as generally being smaller entities than small-scale enterprises. Number of workers is one criterion for distinguishing between the two types; micro-enterprises generally employ 1-5 (and in some country/regional contexts up to 10) workers, while small-scale enterprises typically employ between 11 and 50 people. Another criterion is type of labour; micro-enterprises are more likely to employ a mixture of unpaid family members and wage-earners. A third distinction often cited is level of technology; micro-enterprises are generally not characterized as using "modernized" technology, while small-scale enterprises tend to use a mixture of both traditional and modern technology (ibid.: 22-23). For the purpose of this paper, a third category is added, namely, one-person-owned-operated enterprises, otherwise referred to here as income-generating activities.

There is also the fact that because small-scale economic activities are largely concentrated in the informal sector, a dynamic link may be established with the development of local urban and rural markets and thereby with economic growth (cf. Teszler, 1993). Furthermore, it may be argued that small-scale enterprise activities can have an impact on poverty alleviation insofar as they are "primarily serving a lower-income bracket using dormant capital and indigenously available technology" (Kolshorn and Tomecko, 1992: 53).

In any case, the economic rationale presented above requires that support for these enterprises be effectively incorporated in development strategies (cf. Teszler, 1993), a point reiterated in a recent United Nations report on microcredit and poverty (1998: 5). Given the link between this scale of enterprise activity and the informal sector, there is also a need to address the fundamental socio-economic structural changes required to effectively incorporate this sector into the formal economy (cf. Buckley, 1997).

B. HUMAN RESOURCES AND DEVELOPMENT RATIONALE

Since labour is perceived to be one of the most important assets of the poor, interventions that contribute to its productive use are deemed to be conducive to poverty alleviation. It is an established fact that micro-enterprises are generally labour-intensive. Thus, facilitating access to microcredit is viewed as one means of developing human resources, in terms of improving the ability of the poor to generate income and thereby improve their livelihood (cf. Johnson and Rogaly, 1997). In effect, this overlaps with the above-mentioned economic rationale, which holds that microcredit contributes to micro- and small-scale enterprise development, which in turn is conducive to economic growth and therefore sustainable development.

One much-cited human resource development rationale relates to the acquisition of new skills and/or the upgrading of existing skills. Facilitating access to microcredit may contribute to enterprise development, but it can also play a role in mitigating capability poverty. Income poverty and capability poverty are perceived to be interrelated factors perpetuating the vulnerability of the poor. Obviously, this rationale presupposes the implementation of the microcredit-plus strategy, which involves supporting the effective use of microcredit through the provision of non-financial services to enhance the capabilities and productivity of micro- and small-scale enterprises (cf. Berger, 1989).

II. THE LINK WITH POVERTY ALLEVIATION

A. ECONOMIC/SOCIAL RATIONALE AND POVERTY ALLEVIATION

The pertinent literature reveals a vibrant debate on microcredit as a poverty alleviation tool (cf. Hulme and Mosley, 1996; Johnson and Rogaly, 1997; Mead and Liedholm, 1998; Mosley and Hulme, 1998). As will be examined in more detail in a subsequent section of the paper, while consensus on the impact of microcredit on alleviating poverty continues to remain elusive—not surprising, given the complexity of the subject—there does appear to be broad agreement that this intervention constitutes part of a package of poverty alleviation tools. Ensuring the effectiveness of this package requires "policy and institutional changes" (UNDP, 1997: 81) as part of a strategy to redistribute productive resources in favour of poor population groups.

The emphasis here is on "part of a package", which presupposes a perception of poverty that goes beyond considerations relating to income and capability (cf. Chambers, 1995). Specifically, this includes addressing the fact that the poor are denied "opportunities and choices ... to lead a long, healthy creative life and to enjoy a decent standard of living, freedom, dignity, self-esteem and the respect of others" (UNDP, 1997: 5). The gender aspects of poverty are equally crucial, given that "women are on the front line of household and community efforts to escape poverty and cope with its impact" (ibid.: 6).

Another presupposition relates to the realization that, in order for credit to play the economic role defined in the above-mentioned rationale, remedial steps need to be taken, including dismantling barriers hindering access to finance, promoting the provision of affordable inputs and raw materials and an adequate infrastructure (roads, water, electricity and so on), supporting market demand for enterprise products, and developing an enabling legal environment (cf. Holt and Ribe, 1991). In other words, there is a need to move beyond the microlevel and to incorporate the macroeconomic environment as part of a holistic approach to poverty alleviation (cf. Dawson, 1990). This means identifying the key links in the chain between credit and its impact on poverty, and effectively incorporating them into poverty alleviation strategies that are conducive to the achievement of sustainable human development (cf. Hulme and Mosley, 1996).

From a human development perspective, such a perception of poverty alleviation also presupposes that there is access to training in efficient management and organizational practices, as well as training relating to the acquisition and/or provision of productivity-enhancing skills and technology, all of which promote the effective use of credit (cf. Christen and others, 1994; Rudkins, 1994; Taimni, 1994).

B. Which category of the poor?

The literature on poverty alleviation reflects a near consensus that the poor are a heterogeneous group in terms of level of poverty and the context-specific causes and effects that lead to and perpetuate conditions of poverty (cf. Watkins, 1995).

For considerations related specifically to access to and the use of microcredit, a distinction is generally made between the following:

(a) The poorest of the poor, a category for which basic physical survival is generally the main preoccupation (though it is not implied here that this is a homogeneous group in terms of actual needs and priorities). Accordingly, access to microcredit may serve to ensure the provision of basic necessities including food, clothing and shelter. Under such circumstances, microcredit is generally not put to productive use in terms of investment in income-generating activities;

(b) The enterprising poor, a category for which basic physical survival (in the terms defined above) may be more or less assured. Accordingly, access to microcredit provides a means of generating income to further ensure survival and reduce vulnerability (cf. Carr, 1993; Kidder, 1997). The point should be made in this category that it is generally the one-person-owned-operated enterprises that constitute an appropriate target group for poverty alleviation, since such enterprises may support the survival strategies of the poor through the provision of the "missing ingredient", namely, working capital (Mead and Liedholm, 1998: 70).

Though the transition from poorest of the poor to enterprising poor may be indistinct in many ways, it is generally viewed as "a sequence in which the very poor, by borrowing for consumption, are able to reduce gradually their income-vulnerability and thereby get themselves into a position where they can contemplate riskier investments", thus overcoming "barriers of self-exclusion" (Mosley and Hulme, 1998: 789). In effect, there is a transition from the provision of protectional credit to the provision of promotional credit (Hulme and Mosley, 1996: 132).

The considerations outlined above highlight the need to distinguish between microcredit as part of a complex package of poverty alleviation tools and credit provided for the purpose of business growth.

For the so-called poverty alleviation entrepreneurs, micro-enterprise activities are part of a survival strategy adopted in the absence of a viable alternative to generate income. The so-called business growth entrepreneurs generally pursue different objectives, have different resource needs, face different constraints and generally make a different contribution to national development (Cotter, 1996).

Another way to address this distinction is in terms of graduation from the informal to the formal sectors of the economy. Generally speaking, poverty alleviation entrepreneurs operate mainly, if not exclusively, in the informal sector, and their economic activities are largely unregistered/unlicensed. By contrast, business growth enterprises either operate in the formal sector or can graduate out of the informal sector with microcredit support (cf. Levitsky, 1990). However, it should be noted that, according to a recent review, credit guarantee schemes devised to support business growth enterprises are not without their problems (cf. Levitsky, 1997).

The distinction between the two types of enterprises is crucial from a gender perspective since, as will be discussed in more detail in the pertinent section of this paper, male entrepreneurs will for a variety of reasons tend to encounter fewer constraints in developing into business growth entrepreneurs (Downing, 1991: 5).

The present paper focuses on poverty alleviation entrepreneurs, or more specifically providing microcredit to the enterprising poor for the purpose of promoting productive activities as a means of securing income.

C. HOW "MICRO" IS MICROCREDIT FOR THE POOR?

The above review of microcredit and its link with enterprise development and poverty alleviation raises another issue of relevance to the paper, namely, the link between the amount of credit provided and the scale of the enterprise.

There is a consensus in the literature that, while "micro" is obviously context-specific, a borrower's earning capacity and repayment capability need to be taken into account in determining the size of a loan (Havers, 1996: 148). Loan size has implications for the scale of the economic activity undertaken once access to microcredit has been provided. A distinction is thus made in the context of this paper between (a) a one-person-owned-operated (generally home-based) entity, referred to here as an income-generating activity and (b) a true micro-enterprise employing between 2 and 10 persons (cf. note 3).

On the basis of the above, the term "micro" is usually applied to loans ranging from US$ 100 to US$ 3,000, though the pertinent literature indicates that micro loans can total less than US$ 100 or can be as high as US$ 5000. Obviously, the ranges will differ according to the country context, sector and type of enterprise, and from one area to another within a country, and it should be kept in mind that the distinction between poverty alleviation and business growth enterprises may be blurred in the upper loan ranges.

III. TYPOLOGY OF MICROCREDIT FINANCE FACILITIES

The particular focus of the paper—the provision of microcredit to the poor for productive purposes, be it for income-generating activities or for true micro-enterprises—has been identified; the next subject to be addressed is the type of microcredit finance facilities available to this group.

Providing access to microcredit is by no means a novel aspect of poverty alleviation interventions. It has for some time been part of the development programmes of NGOs seeking to address poverty at the community level. It may be viewed as a manifestation of the growing realization that while meeting the basic health and education needs of poor population groups is important, improving their economic well-being is equally crucial. Within this context, NGOs may function more or less as microcredit lending facilities parallel to the formal credit institutions, though they may be prohibited by law from functioning as a depository for savings.

NGOs may also play the role of intermediary between poor/small borrowers and formal microcredit finance facilities by providing support services such as filling out loan applications or assuming the role of guarantor where the required collateral is lacking (Holt and Ribe, 1991: xii). Moreover, NGOs may provide "loan guarantee funds to leverage capital through local banks", a notable example being Women's World Banking (Buechler, 1995: 14).[4]

Another important aspect of NGO involvement in microcredit lending is their support for the creation and further development of user-owned rotating savings and credit associations (ROSCAs). NGOs may play a role in institutionalizing ROSCAs by functioning as a channel to formal credit institutions (cf. Ardener, 1995). ROSCAs have served as a model for the development of such well-known institutions as the Banco Solidario in Bolivia and the Grameen Bank in Bangladesh (cf. Hulme and Mosley, 1996: 12-13). This type of bank has the explicit objective of providing services to poor people and therefore does not operate as a commercial, profit-oriented institution.

One issue that arises in connection with the role of NGOs in microcredit is whether they should adopt a minimalist strategy, focusing on the provision of microcredit/microfinance, or a credit-plus strategy, offering additional services. Though the latter strategy obviously has more serious cost and administrative implications, it may nonetheless be particularly suited to the needs of the poverty alleviation entrepreneurs reffered to previously (cf. Zaman, 1997).

Cooperatives established through government legislation may also function as savings and credit institutions; members have a common bond that may be based on working in the same sector (such as agriculture) or living in the same community (an urban squatter settlement, for example). This option may provide those with low-incomes who do not have easy access to the formal banking system with a source of relatively low-interest loans and a place to deposit savings (Mayoux, 1995: 36).

Formal/commercial banking institutions have generally not been involved in providing microcredit finance facilities to the poor for a variety of reasons, including the high transaction costs of small loans and savings deposits, the high risk of default, and the lack of acceptable collateral. Where these institutions have combined commercial with social and poverty alleviation objectives, they will generally tend to be government-owned, and small loans to clients considered commercial risks are either wholly or partly subsidized by public funds as part of credit guarantee schemes.

With the current focus on the sustainability of microcredit finance facilities, there is increasing interest in "building institutional capabilities in banks for micro and

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[4] Leverage means "the use of capital ... as a lever to obtain additional funds through borrowing or taking deposits", and is therefore "important for donors as they seek to maximize the outreach generated with their resources" (Christen and others, 1994: 12-13).

small business financing", and in attempting to bridge gaps in the perceptions of donors and practitioners in this respect (Women's World Banking, 1996: 4). In the Arab region, there are some indications that the commercial sector has undertaken successful microcredit finance activities that are linked with the objective of poverty alleviation (Dhumale, Sapcanin and Tucker, n.d.: 10), and that provide a model for "microfinance best practice" (cf. Brandsma and Chaouali, n.d.). This exemplifies the increasing emphasis on "building regularized access by the poor to mainstream credit institutions rather than [creating] separate credit mechanisms" as a means to "expand their options and strengthen their bargaining power in the market for credit" (Kabeer and Subrahmanian, 1997: 30).

Whatever microcredit lending/finance facility is opted for, there is a consensus in the pertinent literature regarding the need for flexible policies that simplify procedures and provide poor population groups with increased access to these sources of small loans. In particular, there is a need for uncomplicated and rapid application procedures, loan portfolios and repayment schedules geared to the client's circumstances (with the seasonal nature of agricultural activities and the vagaries of the urban informal market taken into consideration); and the willingness to accept a variety of different types of collateral (cf. Buechler, 1995).

IV. SELECTED ASPECTS OF MICROCREDIT FINANCE FACILITIES: SOME LESSONS LEARNED

A. THE DEBATE OVER SUBSIDIZED MICROCREDIT

The move away from a welfare-centred approach to poverty alleviation towards strategies and interventions based on a longer-term view of sustainable development has made the cost of microcredit an issue of particular concern to NGOs active in this field (cf. Gibson, 1993). Debates on the types and ceilings of interest rates deemed to be justified to cover the cost of microcredit operations are indicative of the trend towards addressing the financial sustainability of institutions providing the poor with access to affordable loans (cf. Bennett, 1993).

Sustainability has become a particularly crucial issue in view of the dwindling donor funding for NGO microcredit programmes, and the switch from "State intervention to market-based solutions" (Johnson and Rogaly, 1997: 5; cf. Wils, 1990). The onus is obviously placed on donors to "offer targeted assistance to help top-performing institutions make the transition to full independence" (Christen and others, 1994: iv). As part of the long-term strategy, however, both donors and NGOs need to give more attention to the sustainability of microcredit finance facilities, in particular their impact in terms of creating income and employment opportunities among the targeted population groups, and in terms of their continuing ability to provide microcredit to the targeted poor without reliance on external assistance (Gibson, 1993: 190).

There have been various arguments put forward for eliminating subsidized credit and charging real (inflation-linked) interest rates, among them the following:[5]

(a) It is believed that subsidies perpetuate dependence and expectations of welfare instead of empowering the poor to actively participate in and contribute to the process of tackling the root causes of poverty (cf. Bennett, 1993);

(b) Lending institutions providing subsidized credit cannot sustain their programmes without donor support in the forms of grants; in effect, this means that microcredit facilities targeting the poor are transitory rather than sustainable (cf. Johnson and Rogaly, 1997);

(c) Commercial interest rates enable microcredit facilities to recover their costs, or more specifically, to ensure that fees and interest cover the cost of funds, operating costs, loan write-offs, inflation and so on (Havers, 1996: 144);

(d) Charging commercial interest rates supports efforts to target the enterprising poor, since it reduces the risk of leakage to the non-poor (Rudkins, 1994: 33).

Charging real interest rates provides access to credit, the cost of which may well be lower than what traditional moneylenders in the informal credit market charge the poor, thus providing the latter with opportunities and choices deemed crucial to their empowerment. This option is not without certain drawbacks, however. A review of selected institutions indicates a wide variability in interest rates, further complicated by the fact that some of these institutions operate in a climate of high inflation (Christen and others, 1994: 35-37); the pertinent literature reveals that real interest rates may range from 9 to 45 per cent (Johnson and Rogaly, 1997: 125).

Though financial and non-financial transaction costs and the risk of defaulting on loans are of real concern to the formal financial sector, commercial interest rates may serve to motivate banking institutions to develop flexible administrative and financial strategies to reach the enterprising poor and facilitate their access to microcredit (cf. Viswanath, 1995). This presupposes that such institutions have a pragmatic approach to loan recovery and the objective of "the long-term provision of helpful services to a needy but productive population" (Stearns, 1991: 55). As indicated earlier, NGOs may play an effective intermediary role in this respect.

In the case of the Arab region, the debate on interest rates acquires the additional dimension of what is generally referred to as Islamic banking principles prohibiting the payment and receipt of interest. While in-depth coverage of this issue

[5] The intricate details relating to the calculation of interest rates are beyond the scope of this paper; the purpose here is simply to highlight the ongoing controversy over how high or low these rates should be, which forms part of the debate over subsidized versus unsubsidized microcredit.

is beyond the scope of the paper, it should be noted that the ongoing debate incorporates the subject of micro-enterprises and the manner in which they may be supported through the application of such principles (cf. Dhumale and Sapcanin, n.d.; Harper, 1994).

B. LINKING ACCESS TO MICROCREDIT WITH SAVINGS

The pertinent literature reveals that savings are "no longer 'the forgotten half' in development finance" (Schmidt and Zeitinger, 1994: 13). There appears to be some agreement that a proven savings record should be a prerequisite for obtaining access to microcredit.

Savings are seen to constitute an appropriate mechanism for discouraging the perpetuation of a welfare mentality and encouraging the ethos of self-help and self-reliance among the poor. Encouraging the poor to save also represents a way to "encourage aspiring borrowers to take a long-term and disciplined view of their money" (cf. Havers, 1996: 147). This presupposes that reliable, acceptable and easily accessible deposit facilities have been established (Schmidt and Zeitinger, 1994: 13).

ROSCAs provide proof that the poor are capable of saving. As mentioned previously, ROSCAs constitute an effective model of an entity combining group savings with access to credit; the Grameen Bank in Bangladesh is a notable example in this respect.

It has been pointed out, however, that while group-based savings may "act as default guarantees and provide institutions with a source of loan funds", it is also true that "these savings services do not reach beyond the borrowing clientele" (Christen and others, 1994: 21-22).

C. THE CASE FOR GROUP-BASED SAVINGS AND LENDING MECHANISMS

There is an evident trend in favour of group-based savings and lending mechanisms (GSLMs), to some extent motivated by the lenders' aim of minimizing risks and transaction costs. Group liability minimizes the risk of default, and a regulation can be applied that bars defaulters from obtaining access to additional/larger loans. Access to credit can be linked to compulsory savings. For obvious reasons, not least because of their exclusion from the formal banking system and their lack of "appropriate" collateral, poor clients are easier to organize into such groups (Schmidt and Zeitinger, 1994: 9).

The success of a GSLM depends on a number of factors, including the process by which it is formed, the perceived safety of savings deposits and the effective interest rate charged for credit. Underlying these aspects is the extent to which group liability is strictly enforced through what is generally referred to as peer-group monitoring, the benefits and effects of which are believed to decrease as the size and heterogeneity of the group increase (cf. de Aghion, 1994). Larger groups also increase "the potential for relatively better-off members to abuse the scheme", thus undermining the aim of establishing and institutionalizing "social collateral mechanisms" (Johnson and Rogaly, 1997: 42).

The debate regarding the productivity and cost-efficiency of group-based lending versus individual-based lending remains largely inconclusive (Schmidt and Zeitinger, 1994: 11), and available evidence suggests that more research is required to determine effective ways "to integrate savings-promotion programmes with microcredit ones" (Timberg, 1992: 42).

D. Impact of Microcredit Finance Facilities on the Poor

As alluded to previously, the literature reviewed indicates that a consensus regarding the impact of microcredit in relation to the stated objective of contributing to poverty alleviation remains largely elusive (cf. United Nations, 1998). The situation is complicated by a number of factors, including the choice of quantitative/qualitative indicators to measure impact; the fact that the immediate objectives of microcredit finance may differ, thus rendering comparisons difficult; and the problem of identifying causal relationships at the community level, where micro-enterprises operate, as well as the link with the macro environment.

There is also the crucial fact that there is little apparent consensus on what empowering the poor actually entails. The debate tends to centre on the efficacy of the minimalist versus the broader approach, both of which have implications for policy formulation and programme planning. It becomes even more complex when a gender dimension is introduced into the discourse.

These considerations have not precluded attempts to measure the impact of microcredit from the point of view of the borrower. One suggested methodology is the measurement of income deriving from the economic activity supported by access to microcredit, in recognition of the fact that "increased income may be a prerequisite to sustained improvement in ... welfare", offering a "stepping stone to improved nutrition, education, political awareness and the empowerment of the poor" (cf. Haggblade, 1992: 15). However, efforts in this regard may be complicated by a number of factors: in measuring increases in disposable income, account needs to be taken of fluctuations (a particular problem in the rural sector); assessing causal relationships between intra-household dynamics and the wider socio-economic environment remains problematic; and it is difficult to ascertain the validity of information provided by respondents, be they client or lender (cf. Johnson and Rogaly, 1997).

Assessing the impact of microcredit on the borrower is further complicated by the difficulty of following up on the actual use of loans, even when access to credit is explicitly linked to certain conditions. Added to all of this is the cost of collecting such information (ibid.: 74).

From the point of view of the lending institution, the impact of its microcredit programme may be measured in terms of its outreach, repayment rates and its own level of financial sustainability (cf. Christen and others, 1994). Here, too, however, data collection is relatively costly, in particular when qualitative data and information are required to measure social objectives.

Nonetheless, to reiterate a point made previously, irrespective of the lack of consensus on how to measure impact, there appears to be a growing realization that microcredit finance targeting the poor "can succeed provided it is accompanied by other services, especially training, information and access to land", as well as "appropriate technology", but this requires "strong support from the public sector" (United Nations, 1998: 5). This is further underlined by the concern that "it is not clear if the extent to which microcredit has spread, or can potentially spread, can make a major dent in global poverty", reflected in the relatively small portfolios of such major lending institutions as the World Bank (through the Consultative Group to Assist the Poorest [CGAP]), for example (ibid.: 4).

V. MICROCREDIT, GENDER AND POVERTY: SELECTED EXPERIENCES

A. INTRODUCTORY REMARKS

Building on the issues and concerns presented so far, this section of the paper incorporates gender analysis into the discussion of the link between microcredit and poverty alleviation. The aim is to identify the parameters of the discourse when addressing the operationalization of microcredit finance for poor urban and rural women in the selected Arab countries.

Before selected experiences relevant to the focus of this section are presented, the link between gender and poverty should be clarified, as there are indications that the complexities of this link have tended to be underestimated. This is believed to be relevant to the analysis of the effectiveness of microcredit finance targeting poor women in urban and rural contexts.

The poverty of female population groups as the justification for programme and project interventions can be traced throughout the pertinent development debates (cf. Blumberg and Knudson, 1993). Furthermore, poverty has been a focus of all United Nations-sponsored conferences on women starting with the First World Conference of the International Women's Year (Mexico City, 1975) and leading up to the Fourth World Conference in Beijing in 1995 and beyond (the Special Session of the General Assembly entitled Women 2000: Gender Equality, Development and Peace for the Twenty-first Century, to be held from 5 to 9 June 2000).

Poverty has remained integral during the shift from a women and development to a gender and development focus, a fact reflected in the ongoing discourses on various elements of gender-sensitive poverty alleviation (cf. Baden and Milward, 1995). It is now recognized that neglecting the gender dimensions of poverty seriously undermines efforts to achieve sustainable human development, a reality well captured in the phrase "development, if not engendered, is endangered" (UNDP, 1995: 23).

It is being increasingly recognized, however, that the link between gender and poverty is not as straightforward as has generally been assumed. It is not the condition of poverty per se that leads to women's subordination in society and the economy, nor can women's subordination be explained primarily in terms of their poverty. The root causes of gender inequality may be such that all women in a given cultural and socio-economic setting are effected. The impact of these causes may be mitigated to some extent by a complex of variables, most notably class and education, but will tend to be further exacerbated by poverty (cf. Jackson, 1996).

This observation is also relevant to the discourse on the link between female-headed households and poverty levels. There is some evidence that the increasing incidence of female-headed households is linked to the so-called feminization of poverty, given indications that women generally "carry a higher dependency burden" and "have lower average earnings than men, fewer assets and less access to remunerative jobs and productive resources, such as land, capital and technology" (Buvinić and Rao Gupta, 1997: 135); however, this cannot be taken as a foregone conclusion. Here, again, the analysis needs to take more explicit account of the nature, causes and impact of such poverty (Baden and Milward, 1995: 16-21), and the manner in which they are intertwined with gender inequality and the class variable.

Recognizing these complex links contributes to the development of more realistic insights into women's responses to economic insecurity and crisis (cf. Baud and Smyth, 1997), and how they may be effectively linked to poverty alleviation strategies. By implication, the complexities identified need to be kept in mind in addressing the issue of whether/to what extent microcredit lending facilities empower poor women.

B. EFFECTIVELY TARGETING POOR WOMEN: IMPLICATIONS FOR MICROCREDIT PROGRAMME DESIGN

As indicated in a previous section of the paper, the heterogeneity of the poor needs to be taken into account in efforts to facilitate their access to microcredit. This differentiation acquires particular significance when linked with the gender-specific factors affecting such access. Cross-cultural evidence suggests that while poor rural and urban women may suffer from the same class-related constraints as their male peers, they will also tend to be affected by a number of gender-specific constraints.

In terms of gaining access to the formal financial sector, poor women as well as poor men tend to encounter difficulties deriving from the lack of appropriate collateral, the transaction costs associated with the relatively small loans they generally require, and their unfamiliarity with banking procedures, not to mention the attitude of commercial banking institutions towards poor clients.

Poor women may be further constrained by the fact that they are more likely than men to have low literacy/numeracy skills; by cultural norms restricting their physical mobility; by demands on their time as they seek to balance the responsibilities associated with their reproductive role (child-care, cooking, cleaning, and tending sick and elderly family members) with the pressure of finding a culturally appropriate way to generate income; and by the need to provide evidence of male kin support, even when banking regulations do not require this. In effect, these constraints reflect the cross-cultural reality that women's socio-economic status is largely, if not exclusively, defined in relation to their male relatives (cf. Mayoux, 1995: 23).

Poor women's productive activities are generally perceived as supplementing those of the male head of household rather than as being economic enterprises in their own right on which the household's livelihood may well depend. Hence, there is a tendency to view their need for microcredit as less crucial than that of their male peers. This perception is further reinforced by the reality that the productive activities of poor women tend to be largely invisible, in rural areas because such activities are intricately intertwined with the household economy, and in urban contexts because poor women are often involved in household-based economic activities in the informal sector; both patterns are influenced by the need to combine such activities with the demands associated with women's reproductive role (Hilhorst and Oppenoorth, 1992: 26-27).

The observations above have led to a call for incorporating an explicit gender perspective into efforts to reform and liberalize the formal financial sector if poor men as well as poor women are to be equally and effectively targeted as potential clients by formal institutions (cf. Baden, 1996). Specific components might include the introduction of flexible loan sizes, payment and repayment schedules, and banking hours, as well as cost-effective outreach strategies to target the enterprising poor of both genders (cf. McKee, 1989).

Access to the informal credit sector presents some advantages for the poor, in terms of lower transaction costs (time and distance), the absence of cumbersome application forms, the ease of securing small loan amounts, and flexibility with regard to collateral. However, here, too, poor women tend to be constrained by a number of factors that do not affect their male peers to the same degree. For example, poor rural women typically have little or no access to land or control over its use, a circumstance reflected in the higher interest rates charged by moneylenders on what they consider riskier loans (Mayoux, 1995: 34). Poor urban women may be equally constrained by their lack of control over assets that could serve as collateral (such as household goods, however meagre or of however little value these may be), and may thus be compelled to part with whatever jewellery they possess (in many cultures gold and jewels are perceived to be the last bastion of female security).

Moreover, gaining access to ROSCAs may not be as easy for poor urban and rural women as is generally assumed. There is some evidence to suggest that these associations "are most often formed by better-off women, partly as a means of socializing as well as small-scale economic accumulation" (ibid.), and the amounts involved may be too small for any meaningful income-generating activity. Added to this is the fact that ROSCAs may be particularly vulnerable to inflation (Rogaly, 1996: 109).

In any case, it is the gender-specific constraints affecting poor women's access to affordable finance that at least partly explain development interventions incorporating a microcredit component. Such interventions generally involve "social targeting", with credit directed "to activities that have low levels of productivity but provide widespread employment for a target group", and thus (hopefully) generate income (Hilhorst and Oppenoorth, 1992: 20).

In order for social targeting to be effective as a means of facilitating poor women's access to microcredit, consideration must be given to the different categories of poor women, including those who require small loans for survival, those who are in a position to use the credit to generate some income (the self-employed), and those who can invest the borrowed funds in micro-enterprises (small entities employing more than one person).[6] Poor women in certain categories require protectional loans, while for others promotional microcredit may be more appropriate.

From a gender perspective, there is a need to distinguish between "pre-entrepreneurial" poor women, who require "some extra support in [their] income-generating activities to enable [them] to move into a more independent economic position"; "subsistence entrepreneurs", defined as poor women "who have attained a higher level of security in the satisfaction of their basic needs and have ventured into self-employment"; and "enterprising women", who have "expanded their domestic role to include more economic activities and have taken on the challenge of pursuing more economic independence" (Eigen, 1992: 6). Obviously, the economic activities of the women seeking access to microcredit these categories will differ according to urban/rural context and type of endeavour, and loan size will have implications for both scope and scale.

"Women's entrepreneurial attitudes and aptitudes" are also relevant to the type of economic activity engaged in (Piza Lopez and March, 1990: 31). This factor has all too often been overlooked in the enthusiasm surrounding efforts to facilitate poor women's access to microcredit as a poverty alleviation strategy (cf. Rogaly, 1996),

[6] See note 3.

which underlines the point made earlier that the linkages between gender and poverty are more complex than has generally been perceived.

The observations above have implications for the design of microcredit programmes targeting poor women. For example, such programmes need to be flexible enough to take account of the fact that poor women requiring microcredit for survival or for self-employment will tend to be engaged in a variety of economic activities, often simultaneously. Enforcing restrictions on loan use may therefore be inappropriate for these two target groups, since microcredit may be "required to cover both subsistence (or labour) costs and the costs of raw materials and stock prior to sale of the resulting goods and/or services" (Hilhorst and Oppenoorth, 1992: 36). The concern has also been voiced, however, that if loans to individuals are not explicitly designated for income-generating purposes, they are less likely to be repaid (*INSTRAW News*, 1990: 5), the assumption being that "repayments need to come out of additional income, accruing from productive investment" (Johnson and Rogaly, 1997: 48).

In cases in which access to microcredit is linked to women's traditional economic activities (such as poultry raising or carpet weaving), their workload may actually increase, since the traditional gender-based division of labour is not questioned but is in fact reinforced. This may be further exacerbated when microcredit programmes have the objective of increasing the household's income security but have not been designed with a built-in mechanism that facilitates or ensures women's equal involvement in intra-household decisions, particularly with regard to any financial benefits accruing from the use of the loans (cf. Ackerley, 1997).

Another factor that must be taken into account in programme design is poor women's need for small loans with "the minimum of delay, to allow [them] to take advantage of economic opportunities as they arise" (Hilhorst and Oppenoorth, 1992: 36).

As indicated previously, the lack or insufficiency of collateral is considered a gender-specific constraint affecting poor female borrowers. Microcredit programmes have generally attempted to circumvent the risks involved by relying on group lending (explicitly or implicitly using traditional ROSCAs as a model), allowing peer-group pressure to function as a form of loan guarantee. This type of programme design (generally linked with a savings component) is seen to be further justified by indications of such "positive" outputs as establishing/reinforcing female social support networks (cf. Goetz and Sen Gupta, 1996) and increasing women's mobility (cf. Schuler, Hashemi and Riley, 1997). However, there is also some evidence suggesting that while informal face-to-face contacts may facilitate social interaction within these groupings, the benefit derived by individual women depends at least in part on whether and/or to what extent a hierarchy of authority develops (cf. March and Taqqu, 1986); another consideration is that very poor women may be constrained from joining such ROSCAs.

The observations above underline the need to be wary of the "blueprint approach" to microcredit programme design (cf. Rogaly, 1996). Effectively targeting poor urban and rural female population groups with the aim of facilitating their access to microcredit requires the adoption of more flexible strategies based on "a better understanding of the specific financial service requirements of very poor people" (ibid.: 110). There may also be a need to take explicit account of the class and gender-specific dimensions of these strategies.

C. MICROCREDIT AND FEMALE ENTERPRISE ACTIVITIES: IMPACT OF GENDER-SPECIFIC CONSTRAINTS

Much criticism has been voiced with regard to income-generating programme strategies that focus on the use of women's traditional domestic skills rather than on the development of new skills through investment in training in the type of economic activities that are sustainable and financially profitable, and for which there is a market demand (cf. Masika and Joekes, 1996).

Developing appropriate strategies to address such criticism is difficult, not least because of the "seldom-appreciated complexity" and "diversity of [women's] roles, activities and situations", and because their socio-economic roles involve both productive and reproductive work (Hilhorst and Oppenoorth, 1992: 11). There is also the fact that even when income-generating programmes have the explicit objective of empowering women, women's primary responsibility for social reproduction is rarely questioned (cf. Kabeer, 1995). At best, the issue of women's access to household labour-saving technology may be raised, though follow-through with the appropriate financial investment often does not occur. At worst, "gender-related rigidities in the intra-household substitutability of labour" remain unaddressed and therefore intact, and women, "particularly those from poorer households, have to balance a multiplicity of demands on their time" (Kabeer, 1994: 106). Female target beneficiaries are generally perceived in relation to their families and households, and rarely as individuals with specific needs and priorities.

There is a tendency to underestimate and even overlook the economic value of women's economic activities in subsistence production in the rural economy, and in domestic production in the urban informal sector, as well as their unpaid family labour. The relatively low status accorded to traditional female entrepreneurial activities reflects and is reinforced by this tendency (cf. Beneria, 1992; Grown and Sebstad, 1989). By implication, it also reflects the tendency to overlook women's existing technical skills, since these skills are generally related to gender-specific household responsibilities to which no economic value is attached (cf. Appleton, 1994).

Evidence suggests that there is a link between a complex of gender-specific constraints (further exacerbated by the variable of class) and the types of economic activities poor urban and rural women tend to be engaged in. This, in turn, appears to have some implications for how microcredit is used. Specific constraints include women's limited market-relevant skills (the result of low educational levels and limited access to training opportunities, including vocational courses that are not gender-stereotypical); their limited access to and control over productive resources and assets; their limited time owing to the demands associated with their reproductive role; their general inability to attract/ use/pay skilled wage-earning labour; and their limited access to labour-saving technology and to profitable rural and urban markets (Mayoux, 1995: 20).

These constraints, which are also affected by the traditional gender-based division of labour, generally confine poor urban and rural women to economic activities that are less productive/profitable than those engaged in by their male peers (ibid.: 24). In part this is related to the fact that poor self-employed women tend to focus on economic sectors that are perceived to be more flexible (such as trade and services) and on activities that can be either home-based or carried out in the vicinity of the household, thus enabling them to fulfil the demands associated with their reproductive role. Evidence suggests that even female-owned-operated micro-enterprises will tend to focus on areas in which women have traditional skills and know-how, such as food processing, clothing/textile and soap production, and hairdressing (Parker, Riopelle and Steelke, 1995: 4).

Such "specialization" may be further, though inadvertently, encouraged by access to microcredit, in particular when the minimalist approach to lending is adopted and poor women are not offered access to training through which they could acquire skills that would allow them to engage in economically more profitable activities. When output is not matched by a corresponding market demand—often because too many female entrepreneurs are focusing on the same product(s)—profits will inevitably be lower. Demand may also be affected by factors outside the entrepreneurs' or lenders' control, such as inadequate roads and transportation facilities, underdeveloped marketing channels, and skewed income distribution that affects consumption patterns (Hilhorst and Oppenoorth, 1992: 15). Requiring the submission of a feasibility study on the potential of a female economic enterprise as a condition for obtaining access to microcredit (cf. Grady and Theis, 1993) can generally be expected to improve project sustainability, but this does not address the reality that poor women are all too often stuck in low-profit market niches.

Gender-specific constraints, especially those related to the demands associated with the female reproductive role, all too often lead poor women to opt for lower-risk part-time enterprise activities (cf. Kraus-Harper, 1991). This largely explains their requirement for loans that are smaller than those of their male peers. Though such activities may provide some income security, they will generally be labour-intensive (given the limited ability of these women to invest in labour-saving technology) and characterized by low profitability. The stage of a woman's life-cycle and the gender/age of family dependants will also play a role in determining both the type of enterprise activity undertaken by a woman and the extent of her labour input therein.[7]

The point must also be made here that the problem of poor women's involvement in stereotypical economic activities derives at least partially from the failure to address gender discrimination in the labour market and the way in which the gender gap is reinforced by sector- and occupation-based segregation and earning differentials (Baden and Milward, 1995: 24-29). Evidence suggests that this gender gap is also a feature of the informal market, where poor women tend to predominate in labour-intensive, low-profit economic activities and, owing to the gender-specific constraints referred to earlier, encounter difficulties in pursuing profitable market outlets. "Women's exclusion from markets is perhaps the greatest constraint to their productivity [since] they lose control over a critical phase of the production process and are unable to make informed assessments of market demand and new productive opportunities" (Goetz and Sen Gupta, 1996: 59).

Not surprisingly, these circumstances have implications for the productive use of microcredit in terms of the sustainability and potential expansion of female micro-enterprises. The noticeable lack of diversity in women's micro-enterprise activities, which derives from the heavy reliance on traditional female economic skills, generally means that little is required "in the way of capital investment for machinery or physical infrastructure", which in turn means that "few women make sufficient profit to reinvest in their businesses in an attempt to scale up their level of activity" (Carr, 1993: 110-111). By implication, female entrepreneurs generally face more difficulties than their male peers in making the transition to business growth enterprises.

This obviously serves to perpetuate female economic activities (at both the income-generating and micro-enterprise levels) that are largely marginal to the overall production process (cf. Piza Lopez and March, 1990). Gender-specific constraints and the risks women believe to be associated with them serve to discourage poor women from applying for larger loans, with the result that they find themselves in a vicious circle of low-risk, low-profit activities with low potential for specialization and expansion (cf. Mayoux, 1995). Where expansion is contemplated, this is generally within the limits of women's own labour and managerial capabilities (Hilhorst and Oppenoorth, 1992: 30). Even then, expansion may involve the use of family labour, including that of children in the household, and/or the employment of poor women who have few skills and are paid below the market rate. In the latter case, income-generating opportunities may be created for women in sex-segregated societies where cultural norms constrain physical mobility and contact with non-kin males, but this situation also inadvertently contributes to the perpetuation of gender-based pay differentials and women's low status in the labour market.

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[7] This is a pattern also discernible in the Arab region, as revealed in the studies on Egypt (cf. Weidemann & Merabet, 1992) and the West Bank and Gaza Strip (cf. Women's Affairs, 1994).

Providing poor women with access to microcredit does not by itself solve the problem of their preponderance in low-growth informal sector enterprises, which are characterized by high labour intensity and low capitalization, simple accounting, the diversification of economic activities as a risk-reduction strategy, and reliance on social networks and low-income customers (Mayoux, 1995: 8). This has led to the call for a package of strategies designed to ensure that poor women are incorporated into mainstream development rather than remaining largely confined to the informal sector, thus addressing the root causes rather than only the symptoms of poverty (cf. Kabeer, 1994). This would also go some way towards addressing the criticism that increasing "resource allocation in this [small-scale enterprises] sector may undermine the very sustainability that is being sought", and that interventions "in local financial markets are frequently taken without prior knowledge of the working of those markets" (Rogaly, 1996: 100, 107).

D. GENDER AND ENTERPRISE TRAINING: THE LINK WITH POVERTY ALLEVIATION

The foregoing observations implicitly or explicitly point to the reality that poor women need training to acquire a wider range of skills if their self-employment or micro-enterprise activities are to be productive and sustainable. Two perspectives are generally discernible with regard to training. One takes training to promote new, or strengthen existing, female enterprise activities as the starting point, then proceeds to identify other interventions that need to be addressed, including access to microcredit. The other perspective starts from the vantage point of the microcredit-plus approach, with the "plus" defined as a package of interventions that includes training.

It is generally held that the required training should incorporate the acquisition of management/business skills in areas such as bookkeeping, costing, and budgeting; skills relating to production and the use of improved techniques; and marketing skills including pricing. It is believed that these practical skills should be reinforced by strategic skills and that training should therefore be provided to promote situation analysis, a better understanding of gender and legal issues, and confidence-building (Piza Lopez and March, 1990: 15). Poor urban and rural women in particular may also need to acquire basic literacy and numeracy skills.

Though it is generally recognized that there is a need to come up with a coherent holistic approach to enhancing women's economic capacity—one that combines these perspectives and addresses the need to acquire a range of skills conducive to supporting potential and strengthening existing female enterprises—it is also acknowledged that programme interventions will tend to be limited to providing one or a few components of this package; this is related as much to the need for specialization and the perceived advantage of providing specific programme interventions as it is to the issue of funding.

Accordingly, there are programmes that focus on providing management and business skills to potential and existing female entrepreneurs as a priority intervention, though it is recognized that "training, business counselling, marketing, credit and advocacy" are equally important in promoting women's economic capacity (UNIFEM, n.d.: 18). Other programme interventions focus on "policy advice and technical support to a wide range of institutions", and/or on supporting "the establishment of a legal and regulatory framework" as part of the strategy to promote micro-enterprise development (International Labour Organization, 1997: 2). There are also interventions that seek to strengthen the capacity of NGOs to deliver appropriate training packages to improve women's economic capacity (cf. Viswanath, 1995).

For the most part, NGOs tend to "base their training programmes on the organization of groups: these have a territorial base where consumption activities are involved, and a sectoral or product base where productive activities in industry, trade, or services are concerned"; the aim is to reach homogeneous groups and use group training "as a point of departure for other activities" (Wils, 1990: 30-31).

Common to much of the training provided for female enterprise development is the objective of poverty alleviation. This is either explicitly formulated as an aim of enterprise training (reaching the poorest women, for example) or implicit in the choice of target beneficiaries (supporting the livelihood of low-income women). In reality, the content of the training package will generally determine the category or categories of poor women to be included in such training.

The previously identified pre-entrepreneurial and subsistence entrepreneurial poor women will probably not have the required literacy/numeracy skills to participate in conventional management and business training, however gender-sensitive the courses may be in terms of content and methodology. For these two categories, providing basic training to upgrade existing income-generating skills, combined with basic literacy and numeracy instruction, might be the more appropriate intervention, at least in the short-term. Pertinent training courses would need to take flexible account of these women's time and mobility constraints and offer support in facilitating access to microcredit as an incentive for participating.

By contrast, it would probably be the enterprising woman that would be in a position to expand her economic activities in pursuit of more economic independence and who would be motivated to participate in management and business training, assuming she has the required educational level. If the latter is not the case, then priority would need to be accorded to the provision of training in literacy and numeracy skill acquisition, with the content of the management and business training programme adapted accordingly.

The pertinent literature reveals that much effort continues to be required to develop appropriate training packages that are "needs-based" and "skills-forming" (cf. Taimni, 1994) if the objective of contributing to poverty alleviation is to be effectively attained. Within such a context, there is a need to implement a gender-sensitive approach to training women entrepreneurs by addressing the complex of factors, including limited access to microcredit, that lead to poor business performance (cf. Kane, Walsh and Nelson, 1991). There are calls to ensure that NGO training packages for small-scale enterprise development "overcome the limitations of ... training programmes developed for the formal sector", and to develop new methods to address the training needs of the income poor and capability poor in "administrative, accounting, economic, technical, commercial and organizational aspects of enterprise activity" (Wils, 1990: 31).

E. MICROCREDIT AND THE SOCIO-ECONOMIC EMPOWERMENT OF POOR WOMEN

An important argument put forward in favour of supporting poor women's access to microcredit revolves around the issue of empowerment. This is a term that continues to be surrounded by some controversy, not least because of its multi-dimensional aspects and ramifications, which tend to be perceived as threatening to the established social, economic, political and legal order at both the micro and macro levels. The issue is further complicated by the general perception that "behaviours and attitudes that might be used to measure women's empowerment in one society may have no relevance in another" (Hashemi, Schuler and Riley, 1996: 637).

In terms of its link with poverty alleviation, empowerment may be defined as enabling the poor—regardless of gender, age, religion or ethnicity—to benefit from the fruits of development, to be actively involved in the decision-making process affecting all aspects of their lives and livelihoods, to make informed choices, and to challenge the structures that exclude them from this process (cf. UNDP, 1997).

With regard to women, empowerment would imply building the capacity to challenge the complex of structural factors that combine to perpetuate their subordination in society and the economy relative to their male peers (cf. Oxaal and Baden, 1997). In effect, a gender-sensitive empowerment approach is aimed at ensuring a more equitable division of labour and access to/control over resources by addressing not only the symptoms associated with women's subordinate position in society and the economy, but also the root causes, including those associated with poverty (cf. Piza Lopez and March, 1990). This is to some extent reflected in the gender empowerment indicators established by UNDP (cf. UNDP 1995: 72-86).

The pertinent literature reveals that there is no clear consensus on what may be termed the empowerment factor in microcredit programmes. A recent study on a microcredit lending facility in Bangladesh concludes that access to microcredit may have an important empowering effect since it "increases women's mobility, their ability to make purchases and major household decisions, their ownership of productive assets, [and] their legal and political awareness and participation in public campaigns and protests", though it is also conceded that this does not imply "the ultimate resolution to gender subordination" (Hashemi, Schuler and Riley, 1996: 650). This perception is essentially based on the belief that microcredit provides the catalyst for transforming the lives of female beneficiaries through their wider involvement in household and community affairs, as well as their increased physical mobility and their access to cash income (cf. Schuler, Hashemi and Riley, 1997).

This perception of empowerment is challenged by others, who point out that the strategy of empowering poor women through the provision of access to microcredit needs to ensure that the target group benefits in terms of maintaining direct control over the use of the loan. There is some evidence to suggest that this is more likely when microcredit is used for female group activities, which are generally less vulnerable to male kin control (Goetz and Sen Gupta, 1996: 58). However, there are also compelling indications that "collective income-generating projects for women are rarely economically viable", and that the "women involved seldom earn significant extra income, although their labour burden may increase" (Hilhorst and Oppenoorth, 1992: 66).

At both the income-generation and micro-enterprise levels, evidence suggests that when microcredit is invested in traditional female activities such as poultry and livestock raising, food processing, dressmaking and carpet weaving, vulnerability to male control may be less. However, male control may increase when additional income accruing from female economic activities is perceived to have reached a level in socio-cultural contexts at which control over larger cash sums is perceived to be a male prerogative (cf. Goetz and Sen Gupta, 1996). There are indications that women may become "a means of credit and income earning for their husbands". Where they are the primary target group for microcredit lending, and it is their signature on the application form, this will generally tend to increase women's liabilities without correspondingly increasing their authority to manage resources or to take action or decisions on their own initiative" (Ackerley, 1997: 145).

Loan size also appears to have certain implications for women's empowerment. There are indications that poor women are more likely to retain control over the use of small loans, though this may also be affected by such variables as age and stage of the life-cycle. This points to the need for intra-household analysis of the impact of loan use to take account of the variability in and degree of control exercised by the women concerned, ranging from limited control, where women have "minimal input to the production process", their labour contribution is small and they are not involved in marketing, to "full control over the entire productive process, including marketing" (Goetz and Sen Gupta, 1996: 48). The marketing aspect is particularly important, since experiences in various socio-cultural contexts indicate that where women "rely on men to conduct most market transactions ... income generation is normally attributed to men regardless of the degree of women's labour contribution" (Ackerley, 1997: 144).

Implicit in some of the observations above are manifestations of the minimalist versus the broader approach to women's empowerment; it should be kept in mind that empowerment is a process that occurs along a continuum with objectives that vary in scope and therefore impact. With regard to the focus on microcredit, objectives may be based on a relatively narrow perception of women's empowerment, with access to microcredit seen to function as a catalyst for positive changes in women's socio-economic status, or may explicitly acknowledge the linkages between intra-household dynamics, the community, the market and the State (cf. Feldman, 1992), and the way in which these institutions perpetuate and reinforce the gender-based unequal division of labour and access to/control over resources.

If access to microcredit is viewed as a means of empowering women in the broader sense, the need to address the structural reasons why women are excluded from pertinent lending facilities becomes more urgent. Focusing on the symptoms translates into the provision of microcredit as a more or less short-term response to women's income poverty, with no effort made to identify the wider context that leads to such poverty, including the perpetuation of women's capability poverty, and the manner in which this is linked with gender-specific constraints. By contrast, focusing on the root causes implies that a holistic approach is being taken in addressing the complex of indicators affecting women's socio-economic and legal status. Consideration is given to, for example, indicators of changes in the traditional division of labour, which has hitherto been detrimental to women in terms of the burden of balancing the demands of their reproductive and productive roles; indicators reflecting increased participation in household and community decision-making processes; indicators of poor rural women's access to and control over the use of resources (in particular land, lucrative cash crops, and labour-saving/productivity-enhancing technology); and indicators of poor urban women's access to assets that can improve their economic capacities and the potential for raising their labour market status while at the same time easing the burden of their time-consuming social (reproductive) responsibilities (cf. Piza Lopez and March, 1990).

The observations made thus far point to the reality that microcredit finance facilities targeting poor women operate within specific socio-economic contexts and are affected by institutional factors that are generally biased against women's active participation in the development process. Thus, a holistic approach to empowerment in microcredit programmes would entail efforts to instigate changes in the socio-economic environment conducive to improving women's disadvantaged socio-economic and legal status relative to that of their male peers, as well as efforts to enable women to function as active partners in the development process rather than passive targets of interventions (cf. Ackerly, 1997; Kabeer and Subrahmanian, 1997).

This points to the need for microcredit finance institutions to ensure that their programmes are designed to explicitly challenge "the pervasiveness of institutions of gender hierarchy". Evidence suggests that most development programmes are "designed partially in deference to existing values and partially to change them"

(Ackerley, 1997: 141-142). While this may be culturally and politically the most appropriate strategy to pursue in specific contexts and during particular stages of development, it does not preclude the need to promote "beneficial local, sectoral and macrolevel policy changes" (McKee, 1989: 1004) that contribute to the empowerment of the poor, regardless of age and gender.

In the context of this paper, the parameters of the discourse on women's empowerment through microcredit finance are explicitly linked to the aims of gender-sensitive sustainable human development and economic growth. Specific criteria for women's empowerment include support of women's acquisition of knowledge about their socio-economic environment, their capability to make informed choices, their equal participation in decision-making within both the household and the wider community, the opportunity to acquire and develop marketable skills, their equal access to productive resources, their equal control over the benefits accruing from the use of microcredit and their labour market position. The progress achieved with regard to these criteria are taken to be indicative of the extent to which poor urban and rural women cease to be marginalized in the development process.

Facilitating access to microcredit may thus function as a means of initiating a wider process of social and economic change that incorporates the establishment of more equitable gender relations. However, though the "individual woman's own ability to take action or make choices" should by no means be overlooked, the primary implication here is that microcredit lending programmes targeting poor urban and rural women need to actively promote "changes in a woman's institutional environment". This requires the formulation of gender-sensitive policies and programmes conducive to "circumventing, changing, or eliminating the society's values, practices, norms and laws in order to lessen the extent to which they constrain [women's] activities" (Ackerley, 1997: 141).

PART TWO

OPERATIONALIZATION OF MICROCREDIT FINANCE FACILITIES IN SELECTED ARAB COUNTRIES

Introductory note

As indicated in the introduction to the present paper, three Arab countries constitute the focus of the analysis of the operationalization of microcredit finance facilities for poor urban and rural women.

The analysis is based on information and data collected in Lebanon, Tunisia and Yemen on selected microcredit finance institutions active in their field.[8] There are differences between the three countries in terms of the availability/accessibility of detailed, up-to-date information on poverty alleviation in general and on microcredit finance policies and programmes in particular. There are also some intra- and inter-country differences relating to whether and/or the extent to which current programmes specifically target poor female population groups in urban and rural areas.

Following a description of some of the specific characteristics of these facilities in each of the three countries concerned, the analysis focuses on selected facilities that explicitly or implicitly target poor urban and/or poor rural women in their microcredit programmes. Time and budget constraints made it impossible to carry out a comprehensive analysis of these particular facilities, so examples were selected that were believed to be more or less representative of microcredit finance targeting urban and/or rural women in Lebanon, Tunisia and Yemen. Staff members at the selected institutions were interviewed informally to obtain more detailed information on how the objective of reaching poor urban and rural female beneficiaries is actually operationalized.[9]

VI. LEBANON*

A. POVERTY ALLEVIATION IN LEBANON

The growing concern over the social manifestations of poverty in Lebanon has been reflected in the country's involvement in various debates and meetings held specifically to address this subject. The 1995 Beirut Workshop on Poverty Reduction

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[8] See the annexes to the present paper for a brief description of the microcredit finance facilities surveyed in Lebanon, Tunisia and Yemen.

[9] No structured questionnaire was used in Lebanon or Tunisia; rather, informants were asked to provide information on three particular points: how poor female population groups are targeted; the types of economic activities for which microcredit is generally used; and whether empowering women constitutes an explicit objective of the facility in question. These guiding questions served to raise a number of other issues and concerns pertinent to the focus of the paper. In Yemen, interviews were combined with a list of questions, largely covering the points mentioned above.

* Unless otherwise indicated, the references used for this chapter are listed at the end of the paper, under part II, "Selected references reviewed (Lebanon)". Those listed under part I ("General references") are indicated with an "I".

covered such topics as the measurement of poverty in Lebanon, the role of the Ministry of Social Affairs and NGOs in poverty alleviation, and the particular problem of displaced population groups.[10] Lebanon also participated in the Experts' Meeting on Poverty Alleviation and Sustainable Livelihoods in the Arab States.[11]

One of the papers presented at the 1995 Poverty Reduction Workshop focuses on elements of a national policy framework for poverty reduction in Lebanon and singles out two particular strategies: stabilization through efforts to address the "impact of the inflation-depreciation spiral on real income and purchasing power", and employment generation, deemed "the only sustainable tool to reduce poverty" (Fuleihan, 1995: 2-3). Though the role of the public sector in poverty reduction is recognized, efforts at the micro level are seen to be of particular concern to the private and NGO sectors, given that they have "played a leading and highly efficient role in poverty alleviation" (ibid.: 3-4).

These strategies form part of Lebanon's current reconstruction plan, which has been the focus of much debate. Some of the contention centres around the "emphasis on physical infrastructure" and the belief that "only through private sector expansion and services can social problems be redressed", and the fact that "the reconstruction plan does not address ... social issues directly, nor does it recognize the links between ... social bottlenecks, distortions, and imbalances and the generally low levels of productivity and high production costs that hinder competitiveness" (Corm, 1998: 131). This is implicitly reiterated in a recent issue of the Lebanese *Quarterly Economic Report*, which points to the need for a long-term social support programme in "a country where the main wealth is human resources" and identifies "a contractionary policy shrinking investment" in the social sector as one that will harm future generations (Banque Audi and UNICEF, 1998: 8).

The need to focus on the social aspects of poverty was also highlighted during a recent conference, Emerging Lebanon: A New Role for the Future.[12] In the conference report it is stressed that "any future public policy should be more sensitive to the issue of income inequality". It is pointed out that "the disparities between the rich and the poor and between the rural and urban inhabitants have recently captured

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[10] The Workshop was organized by United Nations Assistance for the Reconstruction and Development of Lebanon (UNARDOL) and UNDP as part of the preparations for Lebanon's participation in the World Summit for Social Development, held in Copenhagen in March 1995 (see Hajj, 1995; Majed, 1995; Ministry of State for the Creation of Small and Medium Enterprise, 1997c; UNARDOL/UNDP, 1995).

[11] The Meeting, sponsored by UNDP and the United Nations Department for Development Support and Management Services in (UNDDSMS) New York, was held in Damascus on 28 and 29 February 1996 (see UNDP/UNDDSMS, 1996/I).

[12] The Conference was held by the Centre for Lebanese Studies in Oxford, United Kingdom, from 27 to 29 March 1998 and was sponsored by the Ford Foundation.

the attention of the government", though it is acknowledged that the latter's ability "to raise the required funds is restricted" (Centre for Lebanese Studies, 1998: 4-5).

B. Poverty and Gender: Some Indicators

The above-mentioned 1995 Poverty Reduction Workshop served to highlight the dearth of reliable, up-to-date quantitative data and qualitative information on poverty in Lebanon (the last census was taken in 1972). No official data are available for Lebanon's human poverty profile (UNDP, 1998a: 146/I). However, estimates based on sample surveys indicate that around one third of the population are living below the poverty line (Haddad, 1996: 4; cf. Hamdan, 1995). There is some evidence to suggest that income poverty is probably much higher, and that 60 per cent of Lebanese families have a monthly income of less than US$ 800, thus pointing to a skewed income distribution (Centre for Lebanese Studies, 1998: 4).

Current income poverty trends are for the most part not reflected in the available social indicators. These indicators do not adequately reflect intra-country variations and urban/rural disparities and are generally based on estimates. It was estimated in a recent Human Development Report that by the mid-1990s, the vast majority of the population had access to safe water (94 per cent) and health services (95 per cent), though 37 per cent had no access to sanitation (UNDP, 1998a: 146/I). The infant mortality rate was believed to have declined from 68 per 1,000 live births in 1960 to 33 per 1,000 live births in 1996 (p. 156), which compares favourably with the average of 65 per 1,000 live births for all developing countries (p. 157). The maternal mortality rate was estimated at 300 per 100,000 live births (p. 156), which also compares favourably with the average of 488 per 100,000 live births for all developing countries (p. 157). At 92 per cent, the literacy rate among the adult population was one of the highest in the Arab region (p. 148).

Gender-related indicators for the mid-1990s show that the female gross enrolment ratio (female enrolment as a percentage of male enrolment) was 97 per cent at the primary level and 109 per cent at the secondary level (p. 162). The female economic activity rate was 39 per cent of the corresponding rate for males, though no data are available on the percentage of female unpaid family workers (p. 154). The contraceptive prevalence rate (any method) was 53 per cent (p. 176), and the total fertility rate was calculated at 2.9 (p. 176). Lebanese women gained the right to vote and be elected in 1952, and in 1991 the first woman was elected to Parliament (p. 168). No official data are available on the percentage of female employees in the Government at all levels or by employment status (p. 154).

Lebanon ranked 68th among the 174 countries listed in the *Human Development Report's* gender-related development index (GDI) in 1998 (UNDP, 1998a: 132/I).[13]

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[13] The lower the figure, the higher the rank.

This represents a slight deterioration relative to its 1997 GDI rank of 66 (UNDP, 1997: 150/I) but an improvement over its 1996 GDI rank of 77 (UNDP, 1996: 139/I). There are no data available on Lebanon in respect of the gender empowerment measure (GEM).[14]

C. REVIEW OF MICROCREDIT POLICIES

As far as can be ascertained, there is no officially formulated poverty-related microcredit policy in Lebanon, or any official banking legislation in this respect. However, there is a growing realization of the potential importance of microcredit finance facilities in reaching low-income population groups. This is reflected in the recent proliferation of pertinent NGO programmes. There have also been a number of meetings convened to address this issue. For example, the 1996 Credit NGO Meeting reiterated the importance "of credit as an entry point to issues of poverty and employment", and of fostering cooperation between NGOs active in this field (UNDP/Lebanon, 1996: 1).[15] At the 1997 Workshop on the Small Enterprise Best Practice and Capacity Building Programme the important role of so-called credit NGOs was highlighted, with the Workshop resumé concluding "that the only way to implement sustainable social and economic development programmes is to share skills and experiences across sectors and increase cooperation" between these NGOs and the commercial banking sector in Lebanon (Co-operation for Development, 1997: 1).[16]

This realization was further reinforced during two meetings convened in Beirut in 1997, namely, the Conference on Bank Financing of Small and Micro Business and the Lebanese NGO Conference on Microfinance.[17] During the Bank Financing Conference mention was made of the formal banking sector's problems with financing micro and small businesses, one of which related to the "dollarization of credit" and its role in creating "an additional risk factor ... as income flows of small business and entrepreneurs [are] typically in the domestic currency whereas debt and debt service may be in foreign currency" (Ministry of State for the Creation of Small and Medium

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[14] The GDI measures differences between males and females in basic areas such as life expectancy, health, education and standard of living. The GEM measures gender disparities in these areas and "whether women and men are able to actively participate in economic and political life" (UNDP, 1995: 73/I).

[15] The Meeting, organized by the UNDP Office in Lebanon, was held in Beirut in June 1996.

[16] The Workshop, held in Beirut on 29 August 1997, was organized by Co-operation for Development (Lebanon) under the patronage of the Minister of State for the Creation of Small and Medium Enterprise and funded by the United Kingdom National Lottery Charities Board.

[17] The Conference on Bank Financing of Small and Micro Business was held in Beirut on 13 and 14 October 1997, followed by the Lebanese NGO Conference on Microfinance on 15 October, under the auspices of the Ministry of State for the Creation of Small and Medium Enterprise in Lebanon, and was sponsored by the World Bank-International Finance Corporation, USAID, UNDP and the Lebanese Bankers' Association.

Enterprise, 1997a: 1). The other Conference focused on the role of NGOs and endeavoured to identify "best practices and techniques" to promote "mechanisms in microfinance that would promote access to credit for socially and economically disadvantaged groups" (Ministry of State for the Creation of Small and Medium Enterprise, 1997b: 1).[18]

An interesting aspect of these meetings was the participation of representatives of commercial banks in Lebanon—an indication that a dialogue with the NGO sector on the topic of microcredit finance is beginning to take off. There are "promising initiatives" indicating that the formal banking sector is beginning to understand that "microfinance can be a profitable and appropriate niche for banks" (Brandsma and Chaouali, n.d.: 4/I). This may serve to counter the criticism that the formal banking sector in Lebanon is "not performing fully the expected role of channelling funds into productive investment" (Centre for Lebanese Studies, 1998: 9; cf. Ministry for the Displaced, 1997).

D. OVERVIEW OF EXISTING MICROCREDIT FINANCE FACILITIES

A survey of microcredit finance facilities in Lebanon reveals the following pertinent facts:[19]

(a) Most of these facilities are relatively new. Of the twenty one surveyed, seventeen (81 per cent) were established after 1990, two date back to the mid-1970s, and the remaining two were set up during the mid-1980s.

(b) Twelve (57 per cent) of the twenty-one facilities are local NGOs, four (19 per cent) are international NGOs, three (14 per cent) are projects funded by the United Nations or European Union (EU) and implemented through State ministries, and the remaining two are funded by the United Nations and focus on Palestinian camps in Lebanon.

(c) Around half of the facilities operate in all areas of Lebanon, while the rest (including the two dealing with Palestinian camps) concentrate on specific geographical locations. In terms of sectoral focus, sixteen (76 per cent) indicate that

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[18] The importance of such mechanisms was reiterated during the Conference on Microfinance in the Middle East and North Africa, organized by the World Bank and held in Morocco in September 1998 (see Brandsma and Chaouali, n.d./I).

[19] See annex I to the present paper. Information on microcredit lending facilities in Lebanon is derived partly from written sources emanating from UNDP/Lebanon, supplemented/updated by written and oral information collected by the resource person for Lebanon (see note 2).

they target both urban and rural areas,[20] three (14 per cent) work in rural areas, while the remaining two lending facilities focus on urban population groups.[21]

(d) Target groups tend to vary depending on geographical area and urban/rural sector. Available information indicates that microcredit is largely extended to support agriculture-related enterprises, handicraft production, trade and services.

(e) Data on the cumulative number of borrowers indicate that, of the nineteen facilities on which information is available, seven (37 per cent) have not reached more than 100 borrowers, six (32 per cent) have reached between 100 and 500, two (11 per cent) have reached between 1,000 and 1,500; three (16 per cent) have reached between 3,000 and 5,000, and one has reached 10,000 borrowers. Available/accessible data indicate that active borrowers generally constitute around 50 per cent of the cumulated number, though it should be noted that comparison is difficult since it is unclear to what extent the data are up to date.[22]

(f) All the facilities surveyed indicate that their objective in providing microcredit is the support of existing and new income-generating activities and small enterprises. This is mentioned as one of their conditions, though it is not always clear whether this is an explicit conditionality and/or to what extent it is enforced.

(g) Nine (43 per cent) of the twenty-one facilities surveyed do not explicitly target women, and no information is available/accessible on whether their respective target groups currently include female beneficiaries; nine (43 per cent) explicitly target both men and women, with the share of female beneficiaries varying between 30 and 60 per cent; and the remaining three (14 per cent) target female beneficiaries only.

(h) There is a wide range of loan sizes, and individual facilities may target different beneficiary categories with varying loan amounts. These may be grouped as follows: loans ranging from US$ 10,000 to US$ 15,000; loans ranging between US$ 3,000 and US$ 5,000; loans of up to US$ 3,000; loans of up to US$ 2,000; loans of up to US$ 1,000; and loans ranging from US$ 200 to US$ 500. Two facilities indicated they provide loans in kind only (both target farmers). None provide loans of less than US$ 200, seven (33 per cent) offer small loans in the US$ 200-US$ 500 range, eleven

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[20] It should be kept in mind that this appears to apply to both current and future planned activities. No data are available/accessible on whether activities predominate in one or the other sector.

[21] A recent estimate indicates that only one tenth of borrowers in Lebanon are rural (see Brandsma and Chaouali, n.d.: 13-14/I). However, it should be noted that this figure pertains to 12 microcredit finance facilities, while the present paper covers 21 such facilities.

[22] It is estimated in a World Bank survey that microcredit finance facilities in Lebanon are reaching 23 per cent of potential clients (see Brandsma and Chaouali, n.d.: 13-14/I), though it should be kept in mind that, as indicated previously, the present paper covers more facilities than the above-mentioned survey.

(52 per cent) provide loans of up to US$ 3,000, and the rest offer loans above these figures.

(i) Only one facility requires no collateral, while a number tailor their requirements to the different target groups, with consideration given to loan size: nine (43 per cent) require physical collateral (mainly property titles, but also equipment and jewellery); seven (33 per cent) require a financial co-signer; five (24 per cent) acquire a personal guarantor; and three (14 per cent) require a group guarantee/mandatory savings.

(j) Information on interest rates is not easy to verify in the absence of accurate information on how these are calculated (whether they are nominal rates or real [inflation-linked] rates), and on whether the figures indicated are monthly or annual rates. Either way, there appears to be a wide range of interest rates applied, with borrowers charged anywhere between 3 and 24 per cent. The same lending facility may charge different target groups different rates, but it can generally be said that five (24 per cent) of the twenty-one lending facilities charge interest rates of 20 to 24 per cent; six (29 per cent) charge 10 to 12 per cent; eight (38 per cent) charge between 5 per cent and less than 10 per cent; and two (9 per cent) charge an interest rate of 3 per cent. It may therefore be tentatively concluded that around one fourth of microcredit lending facilities in Lebanon do not operate on the basis of subsidized interest rates.

(k) Repayment rates are high (over 90 per cent) among the majority of the lending facilities to which this applies (since some are relatively new projects), and repayment periods are generally flexible and payments frequent. Grace periods also tend to be flexible and are linked to loan size; six lending facilities do not offer any grace period, but this pertains mainly to small-sized loans (those totalling less than US$ 500).

E. GENDER ASPECTS OF MICROCREDIT

As indicated above, over half (57 per cent) of the microcredit lending/finance facilities surveyed explicitly target female beneficiaries, and three target women exclusively.

For those targeting both men and women, the share of female beneficiaries ranges from 30 to 60 per cent, and most of these facilities indicate that at least half their borrowers are female. With the exception of one facility that offers (rural) female beneficiaries loans of up to US$ 300 in kind and another that has a ceiling of US$ 5,000, all those explicitly targeting both male and female beneficiaries offer loans of between US$ 500 and US$ 3,000. No information is available/accessible on the range of loan amounts received by female borrowers. None of these facilities appears to be charging real interest, with rates ranging from 6 to 12 per cent, though one lending facility charges 24 per cent on loans of US$ 3,000 to US$ 5,000.

With regard to collateral, facilities targeting both genders generally have a flexible policy requiring financial co-signers and personal guarantors. Some appear to have easier collateral requirements for female borrowers with small loans.

Facilities targeting both genders generally allow a maximum period of 24 to 36 months for repayment, though one facility requires repayment within six months. Only one facility differentiates between male and female borrowers, with males given five years and females three years to repay their loans; this is apparently related to the smaller sizes of the loans given to women. Grace periods typically range from 6 to 12 months for both.

With the exception of one facility with a cumulated outreach of 10,000 borrowers, none of those explicitly targeting both genders indicates an outreach over 500 borrowers; as mentioned earlier, some 30 to 60 per cent of borrowers are female.

By contrast, the three facilities that target only women offer loans of US$ 200 to US$ 500, with one facility indicating that it may offer up to US$ 3,000 on an exceptional basis. All charge real interest rates of up to 24 per cent. Two have a mandatory savings component for all loans, while the third applies this to larger loans only. All are based on the group guarantee collateral system.

Loan repayments are made either weekly or bimonthly. The maximum loan period is four months, after which female beneficiaries are entitled to repeat loans if they have paid back the capital plus interest and have deposited the agreed-upon savings sum (where this applies). Grace periods vary, with one lending facility granting none, the second allowing two weeks for larger loans only, and the third allowing two weeks for all loans.

With regard to the cumulative/active numbers of female borrowers reached, one facility indicates figures of 1,087/632, the second 3,387/3,135, and the third 4,000/1,000.

For the purpose of obtaining some insight into the linkages between microcredit, poverty alleviation and gender, four microcredit lending/finance facilities were selected on the basis of the following criteria: first, as examples of facilities that have an explicit or implicit poverty alleviation objective and that either exclusively target women, explicitly target both male and female beneficiaries, or pursue a gender-neutral targeting strategy; second, as examples of local/Lebanese NGOs and of microcredit finance projects implemented through ministerial institutions; and third, as examples of the minimalist or the microcredit-plus approach.[23]

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[23] No claim is made that the selected microcredit lending/finance facilities analysed in greater detail are representative of all such facilities for Lebanon in general; an in-depth impact study is required to make determinations of that sort; however, it is maintained in the present paper that the information

Catholic Relief Services (CRS)/Caritas. Caritas is funded by grants and has an explicit poverty alleviation objective. It targets mainly poor rural women, providing small loans to improve their families' welfare and promote women's solidarity networks. Loan conditions are set according to the existing/potential micro-enterprise activity, whether individual or group-based (follow-up of actual loan use could not be ascertained). Group solidarity (4-6 members per group) and mandatory savings function as collateral. Membership of the solidarity groups in so-called village banks (village-based credit and savings associations whose seed capital is provided by the United States Agency for International Development [USAID] is mandatory. Local staff ("promoters") initiate and support the process of solidarity group formation and the election of leaders and treasurers, as well as the establishment of village banks, each of which can include up to 60 members. Every member has a savings book with graphic illustrations of the potential benefits of microcredit for the family and community.[24] Real interest rates are charged on loans, as this is perceived to be the optimal strategy for achieving institutional sustainability and reducing reliance on donor funding. A high repayment rate is perceived to be the primary quantifiable criterion of success.

Lebanese Association for Development (Al-Majmoua). Al-Majmoua is funded by grants[25] and has an explicit poverty alleviation objective. It exclusively targets poor urban/rural women with small loans and operates with the explicit objective of promoting existing micro-entrepreneurs. Potential beneficiaries must fill out a verification form providing information on their current enterprise activities and indicating how the loan would be used in their enterprises. Loan size is related to the capacity of the business. Though filling out a short verification form for repeat loans is required, there does not appear to be any follow-up to determine actual loan use/economic activity or whether women are being used as a front by male kin. Anecdotal evidence suggests that loans tend to be invested in traditional female economic activities related mainly to trading and services. Solidarity lending groups of non-kin women (8-15 members per group) function as collateral. Savings are not compulsory but are encouraged, with Al-Majmoua functioning as an intermediary with a Lebanese commercial bank. Al-Majmoua has local branches with trained staff, facilitating access for beneficiaries. No training opportunities or feasibility studies for existing/potential enterprises are offered. Here, too, real interest rates are perceived to be the optimal strategy to achieve institutional sustainability and reduce reliance on donor funding. High repayment rates are seen to be an indicator of success.

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gleaned through informal interviews with the organizations concerned provides some insight into gender aspects of microcredit as a particular poverty alleviation tool in Lebanon.

[24] While Lebanon has a relatively high female literacy rate, there are urban-rural and regional disparities to be kept in mind; this would explain the combination of written and graphic illustrations, a laudable method also used by Al-Majmoua.

[25] Mainly from USAID and the Save the Children Federation.

Cooperation for Development. Cooperation for Development is funded by grants[26] and has an implicit poverty alleviation objective. It explicitly targets both genders, with priority accorded to women. There is no savings component, but there are conditions; access to microcredit is linked to the viability of an enterprise, and detailed loan forms must be filled out. Potential borrowers/entrepreneurs are supported through feasibility studies and follow-up on implementation. There is an established (though informal) link with the Start Your Own Business training programme of the United Nations Development Fund for Women (UNIFEM);[27] priority is generally given to potential female entrepreneurs who have attended this training course. To date, women have focused primarily on service-related activities.[28] Physical collateral is a requirement, and an insurance scheme was recently introduced. A guarantee fund and leverage scheme has been established with a leading Lebanese bank that facilitates low-income beneficiaries' access to credit, while at the same time fulfilling another Co-operation for Development programme objective, which is to familiarize beneficiaries with the formal banking system as part of community involvement in development. Charging real interest rates is perceived to run counter to the objective of poverty alleviation, and subsidized credit is believed to be an appropriate strategy for enterprise promotion. Enterprise sustainability and employment creation are deemed to be indicators of success. A differentiation is made between subsistence credit, which comprises small loans provided to the poorest for the purpose of supporting income-generating activities (a separate programme component funded by the Canada Fund), and credit for actual micro-enterprises, which generally totals more than US$ 1,000.

Institute for University Cooperation (ICU)/Ministry for the Displaced. The ICU/Ministry Programme is funded by the EU. Its main objective is the resettlement of displaced population groups in their villages of origin through the support of viable agricultural/agro-industrial economic activities as a means of employment creation. The programme is linked to access to Ministry grants for rebuilding/repairing homes. It has an implicit poverty alleviation objective (it should be borne in mind that not all displaced can be classified as poor). Targeting is gender neutral, but the inclusion of women is "encouraged" by the donor (though not explicitly mentioned in the pertinent brochure). The viability of the proposed enterprise is the primary criterion for determining access to credit; access is also conditional on written assurances that

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[26] Mainly from the Canada Fund, the European Union and the Department for International Development in the United Kingdom.

[27] Started in 1994, housed in the Ministry of Social Affairs, and supported by UNDP and ESCWA, the UNIFEM project is based on a multi-disciplinary approach to small enterprise development. The focus has thus far been on training trainers, as well as providing potential female entrepreneurs with business awareness and skills for starting their own businesses. Lack of access to credit has been recognized as an important impediment to female enterprise development (see UNIFEM, n.d./I; see also UNDP, 1998b).

[28] This trend is largely confirmed in a recent study of male and female micro-entrepreneurs in Lebanon (see UNIFEM and UNDP Lebanon, 1996).

beneficiaries will reside/operate the enterprise in their area of origin, and on participation in training organized by the project (training needs are identified during the evaluation process). The results of a detailed feasibility study (incorporating 19 pages of questions whose answers can take months to verify) are decisive. Physical collateral and life insurance are requirements. A leverage scheme has been established with a Lebanese bank that allows the provision of low-interest credit. Evidence to date suggests that there are no major differences between male and female proposed micro-enterprises, in terms of either type of economic activity or loan size.

Analysis of the information presented above, including the informal discussions with staff from these microcredit lending/finance facilities, suggests the following tentative conclusions (which obviously require confirmation through in-depth impact evaluation studies):

(a) In respect of the "minimalist" microcredit finance facilities (Caritas and Al-Majmoua), there could well be a link between small loan size and the poverty level of the target group. Where access to credit and savings are linked, poor women may, through continuing participation in consecutive loan cycles, potentially accumulate working capital for income-generating activities (though these would be limited given the loan size), and not necessarily for micro-enterprises.

(b) In the apparent absence of follow-up on female beneficiaries' economic activities by these minimalist facilities, it is difficult to determine the wider impact of access to microcredit on poverty, other than to indicate that, relative to most of the other Lebanese facilities surveyed, they have a sizeable outreach.

(c) Data provided by CRS on the village bank drop-out rate suggest the possibility that loans may be used as much for consumption as for production purposes, constituting protectional rather than promotional microcredit.[29] This may indicate that loans obtained from these microcredit finance facilities are attractive in the absence of access to formal banking services.

(d) There is some evidence to suggest that informal ROSCAs (*jam'iyya*) are known in Lebanon, and that they are "dominated by women entrepreneurs" (UNIFEM and UNDP/Lebanon, 1996: 18). Moreover, a survey of the micro-enterprise sector in Lebanon indicates that entrepreneurs draw "upon supplier credit and/or customer

[29] Data provided by CRS (up to August 1998) indicate that drop-out rates during the second loan cycle (the period after the first loan has been repaid and beneficiaries are given access to a larger repeat loan) can be as high as 62 per cent. Of the twenty-one village banks, nine had a drop-out rate of zero to 20 per cent; eight had a drop-out rate of 21 to 40 per cent; and the remaining four had a drop-out rate of 41 to 62 per cent (these categories are arbitrarily chosen but are believed to underline the point being made). This raises questions about the extent to which CRS loans are used for production (income-generating purposes).

advances" (ibid.: 16). This indicates that the inference made in the preceding point needs to be viewed with some caution.

(e) The minimalist facilities surveyed do not refer explicitly to female empowerment in the accessible written documentation on their project activities. When this term was raised during the informal interviews,[30] respondents indicated that they believed female beneficiaries were empowered through access to cash loans and the promotion of female social networks, which indicates adherence to a minimalist approach to empowerment (as defined in part one of this paper). This appears to be further reflected in the fact that, as far as could be ascertained, there has been no concerted effort on the part of these minimalist facilities to encourage non-traditional female economic activities.

(f) These minimalist facilities do not appear to view female beneficiaries as individuals; the accessible written documentation on their activities explicitly stresses the potential beneficial link between access to microcredit and family welfare. This is also implicit in loan application forms, for which information on male kin/husbands is required, thus underlining the point made previously that women's socio-economic status tends to be defined in relation to that of their spouses or male relatives.

(g) Among the "microcredit-plus" finance facilities, notably Co-operation for Development, there is clear emphasis on the link between the productive use of microcredit and its contribution to poverty alleviation, a specific example being the connection between concern with the sustainability of micro-enterprise activities and the application of measures to support sustainability (including training, detailed feasibility studies and the follow-up of implementation).

(h) Co-operation for Development does not appear to differentiate between male and female beneficiaries in terms of loan size, grace periods or repayment periods, all of which are strictly related to the type of enterprise activity undertaken. There is some attempt to encourage non-traditional female economic activities (such as renting out satellite dish connections). Loan application forms do not differentiate between males and females, and the latter are not asked for the names of male kin/husbands. The questions on the loan application form, the types of enterprises covered and the sizes of the loans suggest that female beneficiaries fit into the category of enterprising women associated with actual micro-enterprises. However, it needs to be verified whether and/or to what extent the required collateral is a constraint, and whether this may be linked to the type of economic activity engaged in and/or loan size.

(i) As was the case with Caritas and Al-Majmoua, the accessible written documentation on Cooperation for Development's activities does not make any

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[30] It should be kept in mind that the English term empowerment is generally translated into Arabic as "enabling".

explicit mention of empowering women. This issue was raised during the informal discussion with the staff of Cooperation for Development, and it was revealed that while female empowerment is seen in relation to female beneficiaries' access to cash loans, it is also linked with the additional indicator of enterprise viability. Here, too, the emphasis is on the link between female entrepreneurship and family welfare/income security. This organization appears to believe that offering subsidized interest rates contributes to the achievement of its poverty alleviation objective.

(j) In the case of the ICU/Ministry for the Displaced facility, which pursues a gender-neutral targeting approach, it is the characteristic of displacement and the economic viability of the potential micro-enterprise, rather than the gender of the beneficiary per se, that are the crucial factors determining loan access and size (loans can reach US$ 16,000 for individual borrowers). In effect, women and men appear to (theoretically) have equal chances to obtain funding for an enterprise activity, assuming they have the required collateral and potential skills. Here, too, it needs to be verified whether there is a link between collateral requirement, type of economic activity and loan size, and the role of kin support in this respect. Given the average loan size and the extensiveness of the feasibility studies, it may be supposed that this target group is very likely to achieve the transition into the category of business growth entrepreneurs, and thus possibly into the category of small-scale enterprise activities. By implication, and also given the loan size, the link between microcredit and poverty alleviation is at best tenuous.

(k) Not surprisingly, given its gender-neutral approach, the ICU/Ministry facility does not address the issue of empowerment, implicitly or otherwise. However, when the subject was raised during the discussion with staff, it became clear that here, as with Co-operation for Development, women's empowerment is perceived to be supported through direct dealings with project and bank staff, and above all through the sustainability of the enterprise, but this does not necessarily imply that the issue would be explicitly incorporated into project strategies and programme implementation.

VII. TUNISIA*

A. POVERTY ALLEVIATION IN TUNISIA

Tunisia has an explicitly formulated national strategy to eradicate poverty focusing on two areas of intervention. In terms of economic interventions, priority is given to limiting population growth (to 1.7 per cent by the year 2001), maintaining the rate of economic growth, promoting employment and improving labour productivity by raising qualifications and standards (Ministry of Social Affairs, 1995: 35-37). The

* Unless otherwise indicated, references used for this chapter are listed at the end of the present paper under part III, "Selected references reviewed (Tunisia)". Those listed under part I ("General references") are indicated with an "I".

strategy's social development interventions include increasing school enrolment rates and eliminating illiteracy by continuing to provide free education; improving health conditions, in part by providing free medical care for disadvantaged and needy population groups; targeting the poor more efficiently by improving the performance of the General Equalization Fund, whose aim is to contribute to reducing price fluctuations for staple products as a means of preserving citizens' purchasing power, particularly for the neediest (ibid.: 38); and improving of housing conditions through the National Programme to Replace Rudimentary Shelter (ibid.: 39).

Social welfare protection is also part of poverty alleviation strategies in Tunisia, and is offered through programmes to distribute food aid, free school supplies, and assistance (in cash or in kind) to needy families (ibid.: 40). The National Solidarity Fund (FSN) was established in 1993 with the aim of mobilizing public and private sector investment in marginalized urban and rural areas in Tunisia (cf. Fonds de Solidarité Nationale, 1998).[31]

Among the poverty alleviation interventions listed above, employment policy is perceived to be incontestably the central axis of Tunisia's social policy in general, and of the strategy to eliminate poverty in particular (Ministry of Social Affairs, 1995: 37). A number of government institutions have been created for the express purpose of addressing employment policy concerns.[32]

Poverty alleviation is also linked with "promoting women and the family", to which end the Ministry for the Affairs of Women and the Family was created in 1993. The Center for Research, Studies, Documentation and Information on Women (CREDIF), recognized by government decree in 1992, contributes indirectly to highlighting the issue of women's poverty in Tunisia (cf. CREDIF, 1996).[33]

B. POVERTY AND GENDER: SOME INDICATORS

The most recent available data on the human poverty profile for Tunisia (up to the mid-1990s) indicate a human poverty index (HPI) of 23.3 per cent,[34] with 14 per cent of the population classified as being below the income poverty line (UNDP,

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[31] The original French names of the institutions and organizations mentioned in the paper are translated into English by the author for use in the text; however, the French acronyms for these entities have been adhered to, and each reference is cited in the language in which the source is written. See annex II on Tunisia for details on the FSN.

[32] For details see annex II on Tunisia, specifically the institutions/agencies listed under the section on micro-enterprise support.

[33] Ibid.

[34] The human poverty index is calculated by combining the average of three indicators relating to deprivations in longevity, knowledge and a decent standard of living respectively (UNDP, 1998a: 110/I).

1998a: 146/I). By the mid-1990s the majority of Tunisia's population had access to safe water (98 per cent), health services (90 per cent) and sanitation (80 per cent) (ibid.). The infant mortality rate declined from 159 per 1,000 live births in 1960 to 28 per 1,000 in 1996 (p. 148) (the average for all developing countries by 1996 was 65 per 1,000 live births). By 1990, the maternal mortality rate was 170 per 100,000 live births (p. 156) (compared with an average of 488 per 100,000 live births for all developing countries). The literacy rate among the adult population was 67 per cent (p. 148).

Gender-related indicators for the same period indicate that the female gross enrolment ratio was 94 per cent at each of the primary and secondary levels (p. 162). Around one fifth of Tunisian women (32 per cent of rural women and 15 per cent of urban women) were illiterate (CREDIF, 1995b). Around 44 per cent of students at the tertiary education level were female (CREDIF, 1995a). The female economic activity rate was 44 per cent of the male rate, and 49 per cent of unpaid family workers were female (UNDP, 1998a: 154/I). Around 56 per cent of the economically active female population were involved in the agricultural sector and 33 per cent in manufacturing industries (CREDIF, 1995b). The contraceptive prevalence rate (any method) was 60 per cent (UNDP, 1998a: 176/I). The total fertility rate was calculated at 3.1. Tunisian women gained the right to vote and be elected in 1959, which was also the year the first woman was elected to Parliament (p. 168). The percentage of women employed in civil service increased from 14 per cent in 1977 to 37 per cent in 1994. Women's representation in the top echelons of civil service was as follows: around 4 per cent of the director general posts, 5 per cent of the director posts, 10 per cent of the assistant director posts and 16 per cent of the department head posts were occupied by women (CREDIF, 1995a).

During the period under review some 5 per cent of total government employees at all levels were female; at ministerial and sub-ministerial levels the proportions were 3 per cent and 7 per cent respectively (p. 154). Females comprised 13 per cent of all administrators and managers, 36 per cent of professional and technical workers, 17 per cent of sales and service workers, and 33 per cent of clerical workers (p. 154).

In terms of the GDI, the most recent available data indicate that Tunisia ranked 76th out of the 174 countries listed for 1998 (UNDP, 1998a: 132/I).[35] This reflects an adverse trend if compared with the rank of 74 recorded for Tunisia in 1997 (UNDP, 1997: 150/I) and the rank of 68 recorded for 1996 (UNDP, 1996: 139/I). With regard to the GEM, data for 1998 indicate that Tunisia ranked 74th out of 174 countries (UNDP, 1998a: 142/I), an improvement over 1997, when Tunisia ranked 78th (UNDP, 1997: 153/I), and relative to 1996, when Tunisia had a GEM rank of 84 (UNDP, 1996: 142/I).

[35] The lower the figure, the higher the rank.

C. Review of Microcredit Policies

In promoting employment as a poverty alleviation intervention, Tunisia has placed particular emphasis on supporting the development of micro-enterprises.[36] The provision of financial and non-financial support for such enterprises constitutes an explicit government policy.

Part of the justification for the public sector focus on micro-enterprise development is that this type/scale of economic activity is conducive to cost-effective employment creation (estimated to average 3,000 Tunisian dinars [D] per job in all sectors),[37] especially for youth with a limited education. It is also believed to contribute to the proliferation of industrial and commercial activities (Ministère de la Formation Professionnelle et de l'Emploi/ATE, 1997: 3).

Budget allocations for micro-enterprise development through training and skill upgrading are linked directly to government support for microcredit finance and are reflected in pertinent banking legislation and regulations (cf. Banque Tunisienne de Solidarité, n.d./a).

Various NGOs in Tunisia are also active in micro-enterprise development and finance, though current legislation does not actually support their role as a provider of credit and a depository for savings (ENDA Inter-Arabe, 1994: 10).

D. Overview of Existing Microcredit Finance Facilities*

Several government institutions have been created that focus on training (skill acquisition and upgrading) for potential micro-entrepreneurs. One such institution is the Tunisian Agency for Employment (ATE), which operates under the auspices of the Ministry of Professional Training and Employment. With a network of 72 bureaux distributed among all governorates (collectively known as the Unit for the Promotion of Micro-Enterprises, or UPME), the ATE has the mandate of promoting employment and self-employment, of which micro-enterprise development is a particular focus. The ATE supports clients by evaluating the viability of proposed micro-enterprise projects and providing assistance with technical feasibility studies and the formalities related to registration. In addition, it helps clients gain access to the necessary training and credit facilities. With regard to the latter, the ATE functions as an intermediary between clients and public sector microcredit facilities such as the Tunisian Solidarity Bank (BTS), the National Fund for the Promotion of Handicrafts and Small

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[36] It should be noted that the available/accessible documentation on Tunisia refers to "micro-enterprise" or "micro-projects", which, as far as could be ascertained, includes small-scale enterprises as defined in note 3 of the present paper.

[37] US$ 1 = D 0.9.

* See annex II on Tunisia for details on the selected microcredit finance facilities.

Enterprises (FONAPRAM), the Regional Development Programme (PRD), the Integrated Rural Development Programme (PDRI) and the Integrated Urban Development Programme (PDUI). The ATE also provides support for clients trying to secure access to NGO microcredit facilities such as the Tunis Social Solidarity Federation (FTSS) and the Tunisian Social Solidarity Union (UTSS). There are a number of microcredit lending facilities which will not accept a loan application without written confirmation (clearance) from the ATE that the client's micro-enterprise proposal is viable and that he/she has the necessary skill and know-how (cf. Ministère de la Formation Professionnelle et de l'Emploi/ATE, n.d./a).

The National Office for Handicrafts (ONA) is a government institution with sub-offices in all governorates. Its mandate is to support handicraft enterprises, and it has its own training and credit facilities. The PDRI focuses on rural employment creation through the provision of training and credit to small rural entrepreneurs via the Fund for Integrated Rural Development (FODERI). The PDUI provides technical assistance and training (in cooperation with other urban employment creation facilities) for urban micro-enterprise development and supports clients' efforts to gain access to credit facilities such as FONAPRAM.

In the NGO sector, there is the Association for the Promotion of Employment and Housing (APEL), which supports rural development; providing access to credit constitutes one of its interventions. The Association for the Support of Self-Development (ASAD) helps low-income families, focusing on skill upgrading and the provision of microcredit. The Environment and Development in the Arab World (ENDA Inter-Arabe) programme in marginalized urban areas includes support for micro-enterprise development and the provision of microcredit. The FTSS supports employment creation through the provision of training and loans, but it also facilitates beneficiaries' access to other microcredit facilities (such as FONAPRAM). Another NGO is the El Kef Foundation for Regional Development (FEKDR), which provides small loans to rural women for income-generating activities as part of a package of development interventions. Finally, there is the UTSS, which also supports micro-enterprise development through the provision of microcredit.

This brief overview supports the observation made earlier regarding the intricate link between microcredit finance and micro-enterprise development in Tunisia and illustrates the complex of interlinkages (a) between public sector institutions providing non-financial and/or financial support for micro-enterprise development and (b) between the public institutions and NGOs providing such support.

The survey of selected facilities offering either microcredit alone or a combination of financial and non-financial support for the purpose of micro-enterprise development revealed a number of pertinent facts, elaborated below.

The findings related to the public sector facilities are as follows:

(a) All seven of the (surveyed) public sector facilities providing microcredit explicitly link loan access with enterprise development; such access is made conditional on the creation/expansion of micro-enterprise activities. In this sense, the emphasis—officially—is on promotional rather than protectional credit;

(b) The majority of these public sector institutions (most of which were created in the 1980s or early 1990s) offer microcredit-plus services, including loans as well as support for micro-enterprise development in the form of training, technical assistance and so on. This group includes FONAPRAM, FTSS, ONA, PRD, PDRI and PDUI. However, even minimalist microcredit finance institutions such as the BTS attach conditions to their loans, explicitly linking credit provision with micro-enterprise viability. Similarly, while the ATE may not offer microcredit, it nevertheless explicitly links its support package for micro-enterprises to microcredit access;

(c) The existence/extent of duplication could not be ascertained owing to the large number of these public sector facilities. Given their explicit individual mandates, the channels of cooperation between many of them, and the apparently stringent conditions for gaining access to loans, it may tentatively be concluded that duplication is probably minimal in terms of target groups; however, there are indications that, in terms of the types of activities undertaken, there may be some saturation in the traditional enterprise sectors;[38]

(d) In any case, the question of duplication cannot be verified owing to the lack of up-to-date information on outreach.[39] The available/accessible data do not provide reliable statistics on the cumulative/active number of borrowers, though there is some indication that the number of jobs created through access to microcredit is higher than the actual number of loans granted. For example, FONAPRAM microcredit provided to 325 enterprises in 1996 led to the creation of an estimated 973 jobs, and a similar trend is indicated in connection with the PDRI, PDUI and PRD (Ministère de la Formation Professionnelle et de l'Emploi/ATE, 1997: 12);

(e) Four of the surveyed facilities focus on both urban and rural areas, two focus on rural areas, and one focuses on urban areas; these facilities cover most of the governorates in Tunisia;

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[38] This is a point addressed in, *inter alia*, an evaluation of micro-enterprises carried out by the UTSS in the Ben Arous Governorate (cf. Union Tunisienne de Solidarité Sociale, 1996).

[39] However, a recent survey in Tunisia (which covers nine microcredit finance facilities [three public sector and six NGO facilities] compared with the thirteen surveyed in the present paper) estimates the number of active borrowers at 2,512 and the number of potential borrowers at 122,500 (the latter is calculated as 50 per cent of those living on less than US$ 2 per day) (cf. Brandsma and Chaouali, n.d.: 37/I).

(f) None of these public sector facilities targets female borrowers exclusively, five explicitly target women as well as men, and two do not explicitly target female beneficiaries;

(g) The same facility may offer different-sized loans, with corresponding variations in interest rate calculations, depending on the type of micro-enterprise. The BTS offers loans of around D 3,000 to D 4,000, up to a ceiling of D 10,000 at 5 per cent interest, but clients must provide 10 per cent of the total themselves. In the case of FONAPRAM, loans of less than D 10,000 require a 4 per cent client share, 36 per cent of the credit total is provided interest-free, and 60 per cent is furnished by the formal banking sector at 10 per cent interest. FONAPRAM loans totalling between D 10,000 and D 50,000 require a client share of 8 per cent, with the interest-free credit reduced to 32 per cent of the loan. Loans obtained through the FSN are interest-free but have a ceiling of D 2,700. ONA does not offer credit totalling more than D 2,000 and charges an interest rate of 3 per cent. The PRD offers credit of up to D 3,000 interest-free, D 300 of which is a grant. The PDRI loan ceiling is D 10,000, 10 per cent of which is the client share; 30 per cent of the credit amount is provided in the form of a grant, while the rest is a bank loan on which a 6 per cent rate of interest is charged. The PDUI has an interest-free loan ceiling of D 3,000, D 300 of which is provided in the form of a grant;

(h) Microcredit offered by the public sector in Tunisia is largely subsidized and generally includes a grant element. While three of the seven facilities surveyed link loan access to client sharing, none requires savings from the borrower. This microcredit policy is seen to be part of an effective poverty alleviation strategy;

(i) On the basis of the above, and given that loan sizes tend to vary widely, it is difficult to ascertain whether the focus is on poverty alleviation or business growth; the boundaries between these two categories appear to be blurred;

(j) None of the seven public sector facilities surveyed requires collateral, though the client share element could be defined as such. Instead, dealings tend to be regulated by the application of stringent conditions: a formal contract must be signed; qualifications must be met; training, feasibility studies and enterprise registration are generally required; and follow-up on implementation will likely be conducted;

(k) Information on repayment and grace periods could not be ascertained for all seven of the public sector facilities surveyed. In general, the grace period appears to be flexible, while repayment seems to average four years, with six month repayment intervals; some facilities (such as FONAPRAM) also offer concessions such as tax and import duty relief for specified periods.

Findings related to the NGO facilities surveyed are as follows:

(a) All six of the NGO microcredit finance facilities surveyed link loan access to micro-enterprise activities. Here, too, some effort is expended to ascertain the viability of the existing/potential enterprises for which loans are requested, though apparently not as stringently or extensively as is the case with the public sector facilities surveyed;

(b) Only one of the six NGOs targets all the governorates in Tunisia. The rest focus on specific geographical areas, which is indicated in the names of some (including the FTSS and FEKDR). Three are urban-based, two focus on rural areas, and one targets both sectors;

(c) One of these NGO facilities (FEKDR) exclusively targets women; three (ASAD, ENDA Inter-Arabe and FTSS) explicitly target both genders; and two (APEL and UTSS) are more or less gender-neutral in their targeting approach;

(d) Here, too, information on outreach is patchy, and it remains unclear whether the limited available/accessible data pertain to the cumulative number of borrowers or to active clients only. Interestingly, in the case of ENDA Inter-Arabe, for which both kinds of data are available, 89 per cent of the cumulated total of 819 beneficiaries were active clients at the time the analysis was carried out, even though this is the only NGO charging real interest rates on its loans;

(e) There are some loan size and interest rate variations, as indicated in the available/accessible data. APEL provides credit (in kind) of up to D 3,500 at 6 per cent interest. The ASAD credit ceiling is D 200 to D 500, 6 per cent interest is charged, and a client share of D 20 is required. ENDA Inter-Arabe has a credit ceiling of D 200 to D 2,000, with loans averaging around D 550, and charges 19 per cent interest; however, access to repeat loans is contingent upon joining a savings scheme. The FTSS provides one-time interest-free loans of up to D 3,500, but also functions as an intermediary between beneficiaries and public sector microcredit finance institutions (such as FONAPRAM), assuming 50 per cent of the risk. FEKDR provides interest-free credit ranging from D 600 to D 830, 20 per cent of which is furnished in the form of a grant. The UTSS offers loans ranging from D 680 to D 2,250; 50 per cent comes in the form of a grant, and the rest is interest-free credit;

(f) Given the small loan sizes, the question arises whether the term promotional (rather than protectional) credit is appropriate here. In any case, it would appear that for some of these NGOs, the target is poverty alleviation rather than business growth;

(g) Only one of the six NGO facilities surveyed charges real interest rates and links access to repeat loans with compulsory savings; the rest offer either interest-free or subsidized credit, which includes a combination of loans and grants, and an element of client sharing is required as well;

(h) Repayment and grace periods vary from one NGO facility to another, though they are generally flexible and are tailored to the needs of the micro-enterprise. Repayment varies from between three and twelve months to three years, while grace periods range from two weeks to two years, depending on the size of the loan and the type of enterprise;

(i) None of the NGO facilities surveyed demand collateral. As in the case with the public sector facilities, access to loans is linked to micro-enterprise development, though conditions may not always be as stringent, especially in terms of training and feasibility studies.

E. GENDER ASPECTS OF MICROCREDIT

Analysis of available/accessible data and information on the female beneficiaries of public sector microcredit lending facilities reveals the following:

(a) There appears to be a tenuous link between the explicit targeting of female beneficiaries and the actual provision of microcredit to this group. For example, though FONAPRAM explicitly targets women, to date only 15 per cent of the beneficiaries are female. The same is true for the BTS, where 27 per cent of the beneficiaries are female. By contrast, though the ONA follows a more or less gender-neutral targeting approach, an estimated 63 per cent of its beneficiaries to date are female;

(b) The circumstances described above may be linked to the type of micro-enterprise and also, perhaps, to loan size. ONA focuses on supporting traditional handicrafts such as carpet weaving and embroidery, activities in which women predominate. Moreover, compared with other public sector facilities, its loan ceiling is low (the maximum is D 2,000). This is further substantiated by a look at the PRD, where beneficiaries of microcredit for agricultural enterprises have thus far been exclusively male, while mainly young, unemployed rural women are targeted for traditional handicraft projects, with corresponding variations in loan size;

(c) In effect, female micro-entrepreneurs appear to be primarily involved in economic activities that are either directly or indirectly linked to their traditional gender role, as indicated by the available data on FONAPRAM, FSN and ONA. This is further reflected in the available/accessible data on members of the National Chamber of Female Heads of Enterprises (CNFCE), as well as by the traditional training that beneficiaries of the Centres for Training Young Rural Women (CFJFR) receive;

(d) There appear to be some gender differences in terms of maximum loan size; for example, the PRD loan ceiling is D 2,700 for females and D 3,000 for males. However the PRD gives male beneficiaries a maximum repayment period of four years, compared with six years for female beneficiaries;

(e) Following from the above, it is difficult to ascertain the extent to which a differentiation can be made between female subsistence entrepreneurs and enterprising women;

(f) Shifting the review to public sector facilities that support enterprise development and link the latter with access to microcredit, it should be noted that, in the case of the ATE, the fact that there is no explicit targeting of female beneficiaries does not signify a lack of interest in gender-specific aspects of micro-enterprise development; the ATE has produced a number of pertinent documents focusing on the issue of female entrepreneurship, the constraints they face, and ways and means of promoting female micro-enterprises (cf. Ministére de la Formation Professionnelle et de l'Emploi/ATE, n.d./a; n.d./b; n.d./c; 1995a; 1995c). Such interest is further reflected in the focus of the Ministry for the Affairs of Women and the Family and CREDIF;

(g) The observations above are more or less confirmed by recent research results highlighting the gender-specific constraints that female micro-entrepreneurs tend to face. It is estimated that only 15 per cent of newly established micro-enterprises are female-owned/-operated (Ministère de la Formation Professionnelle et de l'Emploi/ATE, n.d./b: 1). Particular gender-specific constraints affecting women entrepreneurs are reflected in the following areas (cf. Ministère de la Formation Professionnelle et de l'Emploi/ATE: 1995a):

(i) *Marketing*. Females tend to rely on potential customers in the immediate vicinity/neighbourhood of the micro-enterprise, indicating a lower degree of physical mobility than that enjoyed by male entrepreneurs;

(ii) *Start-up/working capital.* Customary inheritance practices accord females half the share of males, and there is a tradition of females renouncing their inheritance in favour of male siblings. Women tend to face difficulties in gaining access to the formal banking sector owing to collateral limitations. There is also the apparent custom of female borrowers needing the approval of male kin, even though this is not required by official banking regulations;

(iii) *Loan size*. Available evidence suggests that loans for female micro-entrepreneurs average D 10,000, compared with an average of D 60,000 for male entrepreneurs, which has obvious implications for the type and scale of an enterprise activity and for the transition into the category of business growth enterprises;

(iv) *Access to information*. Evidence suggests that women are generally less well informed than their male peers about microcredit access opportunities;

(v) *Training*. Pertinent courses generally do not address women's specific needs and skill levels. Moreover, they tend to be held at specialized centres some distance away from women's home base and to be of long duration and/or held during specific times of the day, all of which makes it difficult for women to balance the demands of their gender-specific reproductive and productive roles.

Analysis of the available/accessible data and information on the six NGO microcredit finance facilities surveyed indicates the following:

(a) As indicated previously, one of the NGO facilities surveyed exclusively targets women, three explicitly target both genders, and two are more or less gender neutral in their targeting approach. As in the case with the public sector facilities, for at least some of the NGOs there appears to be a tenuous link between the targeting of females and the percentage of female beneficiaries. For example, APEL does not explicitly target female beneficiaries, but they constitute around 50 per cent of the total borrowers; again, it should be added that female enterprises are largely linked to traditional female skills, especially in the handicraft sector;

(b) In the case of the two NGOs explicitly targeting women and for which data are available/accessible (ENDA Inter-Arabe and FTSS), around 50 per cent of the beneficiaries are female. Here, too, female micro-enterprises concentrate primarily on activities related to women's traditional skills, or what are perceived to be their "natural" skills (carpet weaving, dressmaking, hairdressing and so on);

(c) Specifically in the case of ENDA Inter-Arabe, data on active borrowers indicate that 52 per cent are female. However, there is insight to be gained from the outcome of a change in the policy of this NGO from exclusively targeting women (its original objective) to targeting both genders. Anecdotal evidence suggests that male beneficiaries are more prepared to take on the risk of establishing innovative enterprises requiring larger loans, with apparently positive implications for viability;

(d) In terms of loan size, though none of the six NGO facilities surveyed offer beneficiaries of either gender credit over D 3,500, there are some noticeable gender-based variations. For example, with APEL, female borrowers on average receive loans half the size of those given to male beneficiaries. ASAD gives female beneficiaries credit of D 200 to D 500. Some 75 per cent of FTSS female beneficiaries are granted loans of D 300 to 400, even though the credit ceiling is D 3,500. The exception appears to be ENDA Inter-Arabe, where the average loan size for both male and female borrowers is roughly the same (around D 550);

(e) In connection with the above, anecdotal evidence suggests that there is a link between loan size and the type of micro-enterprise, with female beneficiaries inclined to invest in traditional, relatively labour-intensive economic activities requiring limited working capital and technology;

(f) If loan size is any indication, it may be tentatively concluded that the majority of NGO female beneficiaries, rather than owning/operating micro-enterprises, are more likely engaged in income-generating activities. However, here, too, it is difficult to ascertain the boundary between female subsistence entrepreneurs and enterprising women.

For the purpose of obtaining more information on the gender aspects of microcredit finance provision and related micro-enterprise development, informal interviews were held with staff at one public sector facility supporting micro-enterprise development and facilitating access to microcredit (ATE) and three NGOs active in this field (APEL, ENDA Inter-Arabe and FTSS). The selection of the NGO facilities was based on the fact that they explicitly target female beneficiaries, focus on either urban or rural sectors, and have some links with public sector institutions supporting micro-enterprise development.

Much of the information collected during these informal discussions has been incorporated into the analysis presented so far and is also included in the overview of selected microcredit finance facilities (see annex II).

The text below focuses on a specific question posed during the informal interviews regarding how respondents perceived the connection (if any) between the empowerment of poor women and their access to microcredit.[40]

As far as could be ascertained, in none of the available/accessible written documentation directly relating to the objectives and strategies of the facilities concerned is the term "women's empowerment" explicitly mentioned. However, a clear link is made between enabling poor women to gain access to loans for the purpose of strengthening existing or creating new micro-enterprises and the goal of poverty alleviation.

The informal discussions with the staff of both APEL and FTSS revealed that while neither had apparently given explicit attention to the question of women's empowerment, both believed that facilitating poor women's access to cash loans and thereby enabling them to strengthen existing or establish new micro-enterprises was in itself empowering. Mention was made of the positive social and legal status of Tunisian women relative to those in other societies in the Arab region, though it was acknowledged that additional effort was required in this regard.[41] These two NGOs

[40] As mentioned previously, the English term "empowerment" is generally translated into Arabic as "enabling".

[41] For example, though husbands continue to be regarded as the head of the family and women continue to be perceived largely in terms of their reproductive role within the household (reflected, for

appear to be proponents of the minimalist approach to empowerment, though it should be noted that the fact that micro-enterprise activities are generally officially registered constitutes an empowerment factor in terms of the legal rights it accords women.

In the available/accessible written documentation on the ATE, there does not appear to be any explicit mention of women's empowerment; however, there is a clearly stated concern with gender-specific aspects of micro-enterprise development and, by implication, women's access to microcredit. The CNFCE provides some help and guidance; however, much additional effort is required to support female micro-entrepreneurs in Tunisia, particularly within the longer context of poverty alleviation. As mentioned earlier, the efforts of APEL in this regard are reflected in the organization of workshops and the publication and dissemination of various documents. The latter are meant to draw attention to the gender-based constraints generally encountered by female entrepreneurs in the Tunisian economy, pointing to the need for changes in cultural attitudes and customs that—in spite of the improvements in the socio-economic and legal status of Tunisian women—continue to perpetuate a gender gap that is by and large detrimental to women. In effect, however implicitly, there appears to be some discernible progress being made towards the gradual adoption of a broader approach to women's empowerment. However, this does not detract from the fact that translating views into action can be a long and arduous task. In any case, the issue of poverty alleviation is seen to be addressed through employment creation linked to the support of micro-enterprise development and access to subsidized (that is, affordable) credit.

ENDA Inter-Arabe's support for poor women's empowerment is implicit in the microcredit-plus approach it applies. Female beneficiaries are supported through illiteracy eradication classes and training to acquire particular skills; the aim is to facilitate their access to economic activities that will improve their lives and increase their dignity and self confidence. Empowerment is also believed to be furthered through supporting women's social networks (in the form of group-based lending), enhancing their physical mobility (including contact with formal authorities), encouraging women to pursue non-traditional economic activities, and helping them gain access to the required raw materials and more lucrative markets.

ENDA Inter-Arabe's interest in supporting empowerment of women is explicitly reflected in a booklet entitled *The Thousand and One Paths to Empowerment: Coping Strategies of Poor Urban Women in Tunisia* (cf. ENDA Inter-Arabe, n.d./c). Its conceptualization of women's empowerment is consistent with the broader approach to empowerment. This is reflected in the implicit acknowledgement

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example, in the focus of the Ministry for the Affairs of Women and the Family), Tunisian women have nonetheless gained a number of significant legal rights; for example, the children of Tunisian mothers and foreign fathers are entitled to Tunisian citizenship, spouses have joint ownership of property acquired after marriage, and women have access to a fund which guarantees them alimony as well as a pension after divorce (cf. CREDIF, 1997).

of the link between intra-household and community dynamics and the interest in finding answers to such questions as: "What are the factors that inhibit or facilitate women's access to remunerative work? ... Does self-employment facilitate a redistribution of power in the public or private sphere? ... Will this process of empowerment lead women to participate more fully in decision-making affecting the management of their neighbourhood and the public sphere in general?" (ibid.: 7). In this context, "support for the continuing management of enterprises or the creation of new micro-enterprises" is believed to reinforce "the processes of [women's] empowerment" (ibid.), though it is acknowledged that much more effort is required to address the gender gap in Tunisian society and in the economy.

VIII. YEMEN*

A. POVERTY ALLEVIATION IN YEMEN

Yemen has an explicitly defined poverty alleviation policy that is part of the country's strategy for national development. The strategy is based on a multi-pronged approach addressing such key concerns as human resources development, poverty alleviation/establishing a sustainable livelihood, food security, environmental protection, improving women's status, and democracy/decentralization (UNDP/ Yemen 1997:4).

The National Programme Framework for Poverty Alleviation and Employment Generation is part of the current Five-Year Plan for National Development (1997-2001) and focuses on four specific interventions relating to social, agricultural, infrastructure and industrial development (ibid.). These interventions are to some extent supported by various donors and bilateral development aid agencies (cf. Osman and Al-Weis, 1998).

Developing and implementing a poverty alleviation strategy in Yemen is particularly challenging, as only around one quarter of the country's 15.9 million people live in urban areas; the rest reside in rural regions, many of which are characterized by inadequate infrastructure (roads, water, sanitation) and limited basic social services/facilities (education, health, markets). Added to this are rural-to-urban migration trends and labour migration beyond Yemen's borders, the implications of which are well-known. Poverty is predominantly found in rural districts, and available evidence indicates that there is a geographical focus, with the governorates of Sana'a, Taiz, Ibb and Dhammar heading the list of those areas where the percentage of the population living below the poverty line is relatively high (Abdel-Sadeq, 1997: 28).

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* Unless otherwise indicated, English-language sources for this chapter are listed at the end of the present Paper, under part IV, "Selected references reviewed (Yemen)". English-language sources listed under part I ("General references") are indicated with an "I".

The challenges are exacerbated by the fact that regular household surveys have not been institutionalized; the survey carried out in 1992 remains an isolated effort (ibid.: 23). Thus, while the causes and symptoms of poverty in Yemen can be identified in general terms, accurate/up-to-date data on intra-country variations in patterns and trends are limited. Moreover, while Yemen's poverty alleviation strategy includes provisions for moving away from the welfare-oriented approach towards the formulation of programmes/projects that support the capacity of the poor to improve their livelihood, the reality is that a safety net ensuring access to basic necessities and services remains a requirement for appreciable numbers of urban and rural inhabitants (cf. Barhan, 1998). The Social Welfare Fund (SWF) provides direct financial and non-financial support to the poorest, including the elderly and the disabled, though, in line with the country's strategy of sustainable human development, increasing attention is being given to the need to revise the pertinent laws and move away from the current welfare-based approach (Alnawwab, 1998: 29).

Information on the gender-specific manifestations of poverty in urban and rural areas is limited. Recent efforts to address the dearth of information and data on the gender aspects of poverty include those of the ongoing project on gender and economy, which, *inter alia*, is endeavouring to analyse the link between Yemeni women's reproductive and productive roles, the gender-based unequal division of labour and access to/control over resources, and the manifestations of female poverty, and to develop appropriate strategies for dealing with the problems identified.[42] In addition, the Rural Women Development Directorate (RWDD) at the Ministry of Agriculture and Irrigation has recently attempted to contribute to the formulation of gender-sensitive rural policies and strategies (cf. Al-Baz, 1998). All of these efforts are consistent with official support for the improvement of Yemeni women's socio-economic status (cf. National Commission for Women, 1997).

B. POVERTY AND GENDER: SOME INDICATORS

The latest available data (up to the mid-1990s) show a human poverty index of 48.9 per cent for Yemen (UNDP, 1998a: 147/I). World Bank estimates indicate that by 1996, 19 per cent of the population lived below the poverty line, with over two thirds of the poor living in rural areas (Alnawwab, 1998: 6). Specifically, 18.6 per cent of the urban population and 19.2 per cent of the rural population in Yemen were believed to live below the poverty line (Abdel-Sadeq, 1997: 22). UNDP figures reveal that by the mid-1990s some 39 per cent of the population had no access to safe water, and 62 and 76 per cent had no access to health services and sanitation respectively (though intra-country variations should be taken into account) (UNDP, 1998a: 147/I). The infant mortality rate declined from 224 per 1,000 live births in 1960 to 78 per

[42] The project is housed in the Ministry of Pensions and Social Affairs and is supported/funded by Netherlands Development Assistance. Mention should also be made of the Empirical Research and Women's Studies Centre (part of the University of Sana'a), which is making a valuable contribution to efforts to address the knowledge/information gaps with regard to gender issues and concerns in Yemen.

1000 live births in 1996 (p. 149); the latter figure represented a marked improvement but was still almost three times as high as Tunisia's rate, for example. Maternal mortality stood at 1,400 per 100,000 live births in 1990 (p. 157), which was more than five times the rate recorded for Lebanon that year. Adult literacy rates are low; one third of the male population is believed to be illiterate, and less than one fifth have a post-primary education (Alnawwab, 1998: 6).

Gender-related data indicate that two thirds of Yemeni women are illiterate, 15.6 per cent have completed primary schooling, and only 3.5 per cent have had a post-primary education (ibid.). The female economic activity rate by the mid-1990s was estimated at 39 per cent of the male rate, and over two thirds of all unpaid family workers were female (UNDP, 1998a: 155/I). The contraceptive prevalence rate (any method) was 7 per cent (p. 177), and the total fertility rate was calculated at 7.6. Women in the former People's Democratic Republic of Yemen gained the right to vote and be elected in 1967, and 1990 marks the year when the first woman was elected to Parliament (p. 169). No data are available on female employment in government institutions. In terms of the GID, Yemen ranked 122nd out of the 174 member countries listed in the 1996 *Human Development Report* (UNDP, 1996: 140/I).[43] No data are available in respect of the GEM.

C. REVIEW OF MICROCREDIT POLICIES

In a recent document on micro-enterprise development in Yemen it is emphasized that while "microfinance is in its infancy", this does not imply that there is no appreciable demand for the service; based on the poverty estimates for Yemen, and assuming that one fifth of the estimated 454,000 poor households require access to loans ranging from US$ 50 to US$ 500, the demand for microcredit can be estimated at US$ 25.5 million (UNDP/Yemen, 1997: 3).[44]

The Government of Yemen, reviewing its economic policies and strategies in the light of the ongoing structural adjustment programme, has identified the promotion of micro- and small-scale enterprises through the provision of credit as an important means of employment creation and thus of poverty alleviation (UNDP/Yemen, 1997: 12). Though the establishment of the formal banking sector in Yemen only dates back to the early 1960s, a number of public sector banking institutions are engaged in the provision of credit (ibid.: 10). Recent efforts on the part of the Government to improve the financial and institutional performance of a number of these banking institutions are expected to provide an impetus for the establishment of a link between

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[43] The higher the figure, the lower the rank.

[44] This estimate does not tally with that included in a recent World Bank review of microfinance in the Middle East (the latter is based on the review of one public sector and three NGO facilities active in microcredit finance in Yemen) (cf. Brandsma and Chaouali, n.d./I).

access to microcredit and employment generation as part of the overall promotion of the private sector and the implementation of national poverty alleviation strategies.

This points to the challenge of formulating appropriate strategies to ensure that programmes/projects supporting micro-enterprise development facilitate the access of poor population groups to affordable microcredit. This challenge has been taken up by the UNDP supported MicroStart Pilot Component of Support to the Yemen National Poverty Alleviation Programme. Three distinct but interlinked project components are to be implemented with the aim of developing the capacity of local organizations to help the poor secure access to microcredit; the ability of the poor to take advantage of microcredit finance opportunities; and the technical expertise of microfinance institutions to enable them to provide the necessary services (ibid.: 3). Targeting female borrowers is explicitly incorporated in the objectives, outputs and activities of the MicroStart Programme. It was revealed at the recent Workshop on Rural Microcredit in Yemen[45] that rural women face gender-specific constraints that impede their efforts to gain access to microcredit finance; any project targeting females will benefit this group in particular.

The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), which focuses on vocational/technical training in its development interventions, has recently expanded its programme to include the promotion of small-scale enterprises. Though GTZ activities are currently concentrated in Aden and Taiz, the aim of this programme component is to help strengthen the capacity of the Yemeni small enterprise sector as a whole and to facilitate its access to microcredit finance (ibid.: 14).

D. OVERVIEW OF EXISTING MICROCREDIT FINANCE FACILITIES*

As indicated earlier, microcredit finance targeting poor population groups is a relatively recent phenomenon in Yemen. Of the eight facilities surveyed, six established their microcredit programmes during the 1990s, while the other two became active in this field in the 1980s. As far as could be ascertained, development-oriented microcredit finance services in Yemen are provided mainly by public sector facilities; even the NGOs surveyed indicated a public sector link in terms of some funding support.[46]

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[45] The Workshop was organized by the Rural Women Development Directorate of the Ministry of Agriculture and Irrigation in June 1997 (cf. Ministry of Agriculture and Irrigation/RWDD, 1997).

* See annex III for additional details on the selected microcredit finance facilities in Yemen.

[46] The eight microcredit finance facilities surveyed were selected on the basis of their mandate to target poor population groups, which either explicitly or implicitly includes targeting poor females, and on the basis of a clearly defined development-oriented objective. There is also the pertinent fact that these facilities were the most forthcoming in responding to the efforts of the Yemen resource person to collect relevant information. There are various organizations in Yemen providing services for poor population groups that are not included here, to some extent because they, by all accounts, pursue a welfare-oriented approach (see UNDP/Yemen, 1997: 18-21).

One striking feature of the microcredit finance programmes targeting the poor in Yemen is the particular focus on rural areas, which is not surprising given the predominance of the rural population both numerically and in terms of the incidence of poverty. Three public sector facilities: the Agricultural Development Project in the Southern Highlands (ADPSH), the Cooperative and Agricultural Credit Bank (CACB), and the Fund for the Promotion of Agricultural and Fishery Production (FPAFP), as well as one NGO, the Adventist Development and Relief Agency (ADRA), target rural population groups in their microcredit programmes, while another two public sector facilities, the Programme for Productive Families and Community Development (PPFCD) and the Social Fund for Development (SFD), target both rural and urban sectors. Only one of the public sector facilities surveyed, the Small Enterprise Development Unit (SEDU), and the other NGO surveyed, the Social Organization for Family Development (SOFD), focus exclusively on the urban sector, but their outreach there is relatively limited.

For the public sector microcredit finance facilities in Yemen, there is a conditional link between access to loans and existing/planned micro-enterprises. Most of these facilities undertake measures (whose effectiveness varies) to study the viability of potential borrowers' enterprise activities. For the two NGOs surveyed, the available/accessible documentation does not provide indications of such loan conditions.

Among the facilities surveyed, only ADRA exclusively targets women for microcredit access. The FPAFP pursues a more or less gender-neutral approach, while the remaining six explicitly target both poor male and poor female beneficiaries. The available documentation on two facilities targeting both genders (ADPSH and SOFD) indicates that special priority is given to targeting poor women.

Available/accessible data on outreach indicate that two of the public sector facilities (ADPSH and SEDU) and both of the NGOs surveyed (ADRA and SOFD) have reached fewer than 1,000 borrowers each (though it remains unclear whether the figures provided are cumulative or pertain to specific years). The outreach of the other four public sector facilities varies widely, with the number of beneficiaries estimated at 2,400 for the SFD, nearly 5,000 for the PPFCD, around 19,000 for the FPAFP and 148,000 for the CACB.

Loan size and conditions vary from one public sector facility to another, as well as within the same facility, depending on the type/location of the enterprise for which the microcredit is to be used (it should be noted that information was available/accessible on only three facilities). The ADPSH offers loans ranging from 30,000 Yemeni rials (YRls) to YRls 100,000 (around US$ 215 to US$ 725), and averaging YRls 50,000 (around US$ 360), with a 20 per cent client share, a 40 per cent grant element and 40 interest-free credit. The average loan provided by the CACB is YRls 50,000, with interest rates varying according to whether the loan is short-term (7 per cent interest/repayable within 1.5 years), medium-term (9 per cent/7 years) or long-term (10 per cent/10 years). In all cases, the 20 per cent client share is mandatory. SEDU offers loans ranging from YRls 147,000 to YRls 684,000 (around US$ 1,000 to US$ 5,000), with its small loans ranging from YRls 33,000 to YRls 79,000 (around US$ 240 to US$ 580). Interest rates range between 16 and 18 per cent, and there are flexible repayment periods of two to four years. ADRA offers loans ranging from YRls 9,000 to YRls 40,000 (around US$ 65 to US$ 290), and charges a 16 per cent flat fee, while SOFD offers loans from YRls 20,000 to YRls 40,000 (around US$ 145 to US$ 290), including a 20 per cent client share, a grant totalling 40 per cent and 40 per cent interest-free credit.

There is no apparent link between the client share element and the non-requirement of collateral; a number of the surveyed facilities require both, and some facilities do not make a distinction between male and female borrowers. However, the client share is usually accompanied by a grant element as well as interest-free credit for part of the loan. Only two of the facilities surveyed, SFD and ADRA, indicate that their interest rates are not subsidized, though with ADRA such changes come in the form of a flat fee. Minimal information is available/accessible on repayment rates and grace periods for most of the facilities surveyed.

Only one of the facilities surveyed (ADRA) has a mandatory savings component linked to loan access. It appears to be one of the few microcredit finance facilities in Yemen that is based on the group solidarity/lending model (another one apparently being the Hodeida Women's Association). Given that ROSCAs (*sanadiq*), by all accounts, are not much known in rural Yemen and seem to be largely an urban phenomenon, this is indeed an innovation.

E. GENDER ASPECTS OF MICROCREDIT

As indicated earlier, only one microcredit lending facility (the public sector FPAFP) follows a more or less gender-neutral approach, and only one facility (ADRA, an NGO) exclusively targets women, while the rest of those surveyed indicate that they explicitly target both genders.

A review of the available/accessible information on the gender-relevant aspects of all the facilities surveyed revealed a number of pertinent facts (summarized below).

Agricultural Development Project in the Southern Highlands. The ADPSH established its women's unit in 1979, and the Project's microcredit programme component, which also targets poor rural women, was launched in 1997. Its focus on providing microcredit for home-based livestock production may well explain the explicit targeting of women, given the widespread evidence of the relatively high (though statistically largely invisible) share of Yemeni rural women in livestock production (cf. Ackerboom and Bijleveld, 1994). By all accounts, contracts appear to be concluded directly with female beneficiaries when they serve as the head of a household; in other cases, contracts are signed with the male head of household.

However, even when women sign their own contracts, they do not necessarily negotiate the purchase of the livestock themselves but may send a male proxy (*wakil*) instead. As ADPSH documentation indicates, this pattern is perceived to be in line with the wider objective of targeting the poorest rural households, whether through male or female members. However, direct contact is established with the targeted female beneficiaries for the purpose of disseminating information on loans, evaluating potential borrowers' circumstances and experience in animal husbandry, and so on. Moreover, in recognition of the constraints limiting rural women's control over land,[47] other forms of collateral are accepted from female borrowers (including male guarantors in the village), though female beneficiaries need to prove that they have access to land for livestock grazing. ADPSH loans range from around US$ 215 to US$ 725, averaging US$ 360, but there is no information available on the average loan size for female borrowers. Given the loan conditions (the link with the purchase of livestock and future ADPSH plans to add a dairy production/marketing component to its programme), it may tentatively be concluded that there is probably little gender differentiation in loan size (unless female borrowers opt for less costly livestock such as sheep). While the ADPSH pursues a minimalist approach to microcredit lending in terms of not providing training or facilitating the acquisition of skills (according to the available documentation), its intervention in this respect is linked with the wider objective of improving the living standards of poor rural households, including women, by supporting agricultural extension services, promoting kitchen gardens, combating illiteracy and providing health and sanitation education.

Cooperative and Agricultural Credit Bank. Though available documentation reveals that the CACB explicitly targets women, the cumulative data on female borrowers for the period 1992 to mid-1998 (1,162 borrowers) indicate that the female share of allocated microcredit has so far been relatively limited, considering that since the launch of its microcredit programme 148,000 borrowers have been served. The presumption that the vast majority of beneficiaries have been male is at least partially based on information relating to loan use, as frequent mention is made of investments in, for example, irrigation canals/wells, agricultural machinery and fishing boats—activities not formally involving rural women (irrespective of their actual contribution as unpaid family labour). The above would appear to be confirmed by available/accessible data showing that the loans of female borrowers are used predominantly for livestock production, an economic activity in which rural women in Yemen have a large share as indicated earlier. In a recent report on microcredit for rural women, the CACB indicates that the reason why loans are used for livestock production is that it is "easy for women to directly manage this type of loan, in addition to which it brings benefit to the woman and the family in general" (CACB, 1996b: 2). Of the 1,162 female borrowers on which data are available, around 65 per cent purchased cows and 30 per cent purchased sheep. Data on loan size are not

[47] As much owing to poverty as to customs and tradition, whereby women may forego their claim to inherited land in favour of male siblings, and/or where control over land is perceived to be a male (generally the husband's) prerogative (cf. Mundy, 1995).

available, though it is confirmed that small loans do not exceed US$ 360. Like any other borrower, a female beneficiary has to put up the cash equivalent of 20 per cent of the loan sum (the client share) and prove that she is able to provide the necessary fodder for the purchased livestock. Interestingly, in a recent evaluation of CACB performance (based on a sample of 22 female borrowers), the following was mentioned in connection with the loan application process: around 36 per cent cited the excessive amount of time required for formalities; 32 per cent noted the lack of female staff at CACB branches; 9 per cent indicated that they had experienced some difficulty securing a guarantor; another 9 per cent indicated that the delay in registration and the cost of the whole process were problems; and the remaining 14 per cent did not mention any constraints (CACB, 1996a: 120).[48] Here, too, a minimalist approach to microcredit lending is evident, with loan officers apparently focusing on ensuring repayment rather than on following up loan use beyond checking the invoices to confirm the purchase of livestock.

Fund for the Promotion of Agricultural and Fishery Production. The aim of targeting the rural household as an entity is reflected in the Fund's gender-neutral approach, though reference is made in the available documentation to promoting rural women's participation, and to the fact that female borrowers are apparently not required to provide evidence of male kin approval before securing loans. Though no gender disaggregated data on borrowers are available/accessible, it may be presumed from the available information on the type of activities facilitated by access to microcredit that the number of female borrowers is probably minimal. It seems unlikely that many of the 16,545 cotton farmers who received credit during the past three years were female, given that farm owners are predominantly male in rural Yemen, regardless of the level of female labour input. Similarly, available data indicate that some 3,680 fishermen received credit; fishing is another activity formally associated with the male gender role, irrespective of the actual female labour input. By contrast, only a small percentage of FPAFP loans were provided for livestock production (it should be noted that while rural women predominate in this area, it remains unclear whether these loans went to male or female borrowers). Because the FPAFP does not follow up on the use of loans (it functions as an intermediary between borrowers and the CACB) and appears to rely on repayment rates (claimed to be 100 per cent) as an indicator of success, it is difficult to ascertain the impact of access to microcredit on female borrowers.

Programme for Productive Families and Community Development. The PPFCD has not (yet) implemented its microcredit component but is included in the survey because of its focus on establishing training centres, six of which target females for skill acquisition. Available/accessible data on the type of training provided indicate that an average of 72 per cent of female trainees enrol in sewing courses, 20 per cent in handicraft courses, and the rest in knitting courses (Alnawwab,

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[48] These concerns are consistent with the issues raised during the RWDD Workshop on Rural Microcredit in Yemen.

1998: 24). While it may be argued that this type of training upgrades traditional female skills, evidence suggests that few trainees have been able to secure profitable employment, owing to some extent to the limited market relevance of these skills. Available data indicate that many of these trainees are young and unmarried, with little or no job experience, pointing to the possibility that "the constituency of these centres is transitional, i.e., women in transition from being single to married" (ibid.: 25). This may be one reason for their lack of success, but the gender-specific constraints affecting women's access to the labour market should also be considered, as should the general problem of the quality of vocational training in Yemen (and elsewhere in the Arab region).

Small Enterprise Development Unit. Among the surveyed facilities explicitly targeting both genders, SEDU is unique in that the data related to its microcredit finance activities are to some extent sex disaggregated. Of the 963 loans disbursed during the period 1991-1997, 40 per cent went to female borrowers. There were marked gender-specific differences with regard to loan size: loans to women ranged from US$ 240 to US$ 580, compared with a range of US$ 1,000 to US$ 5,000 for male borrowers. The data indicate that of the estimated 4,059 jobs created through access to credit, 15 per cent were related to female employment. This means that the 386 loans disbursed to women created 610 jobs (particulars are unavailable). Though sex disaggregated data are not available relating to the classification of loans based on use, it is interesting to note that 38 per cent of total loans disbursed were for sewing/knitting enterprises, presumably reflecting the propensity of female borrowers to invest in traditionally female and culturally acceptable economic activities. However, this percentage may also reflect the possibility that SEDU does not discourage female borrowers from this type of enterprise activity (a tentative conclusion requiring verification). In any case, data on the types of activities undertaken indicate that SEDU follows up on the use of loans, though it does not extend any support, technical or otherwise, to facilitate borrowers' access to profitable marketing channels, an area in which female entrepreneurs in Yemen (and elsewhere in the Arab region) encounter particular constraints. While loans are in the names of the female borrowers, SEDU expects that the latter will have secured the prior approval of male kin. When applying for loans, female borrowers generally bring along their male kin, who may also function as guarantors. Available information on small loan disbursements between 1991 and 1997 indicates that around 93 per cent of all borrowers in Sana'a were female, compared with 25 per cent in Hodeida. In the absence of data on training, it is difficult to conclude whether SEDU actually follows the microcredit-plus approach.

Social Fund for Development. Available/accessible SFD data indicate that 2,373 of the 7,670 targeted beneficiaries have so far been given loans, and that some 60 per cent of the borrowers have been female. This substantiates the SFD claim that poor women are explicitly targeted for access to loans as a means of improving their socio-economic status. Microcredit is disbursed through NGO intermediaries; 555 of the 892 female borrowers are ADRA beneficiaries. Interestingly, available data indicate that of the 668 loans disbursed for livestock production between 1997 and mid-1998, 73 per cent went to male borrowers. Moreover, of the 1,074 beneficiaries targeted via the Hodeida Women's Association during this period, only 16 per cent were female. In any case, female borrowers apparently sign their own contracts with the SFD and, according to available documentation, are not required to provide proof of male kin approval. No data are available on individual loan sizes. Though the SFD can be said to apply the minimalist approach, it should be kept in mind that much depends on the type of approach pursued by the NGOs through which the SFD targets the poor.

Adventist Development and Relief Agency. As part of its programme component targeting rural women, ADRA provides the means of accessing affordable credit while at the same time encouraging female beneficiaries to save through group-based revolving funds. To date, ADRA has reached 1,352 poor rural women in three districts in the Hodeida Governorate; 730 of them (around 54 per cent) have secured access to credit. No data are available/accessible on active beneficiaries. Loans have typically been invested in livestock production and small-scale vending (generally using part of the home as a shop); animal husbandry predominates, with some 95 per cent of the loans invested in this economic activity. Here, again, the focus is primarily on traditional activities related to women's perceived reproductive role. Access to microcredit is linked to mandatory savings, which must amount to 5 per cent of the loan sum. Groups function as village banks, of which there are presently 28; each has a membership of 15-25 women and is managed by five elected committee members and supported by a volunteer community worker. Loan size increases progressively, from a first-time loan of YRls 9,000 (around US$ 65) to a second loan of YRls 20,000 (around US$ 145), to a third loan of YRls 40,000 (around US$ 290), and access is linked to the weekly deposit of savings with the group treasurer. A flat fee of 16 per cent is charged. ADRA may be said to follow a variation of the microcredit-plus approach; as far as could be ascertained, it does not provide female borrowers with training, but it combines access to microcredit with other services conducive to improving women's socio-economic status.

Social Organization for Family Development. Though its outreach is relatively limited, SOFD attempts to give priority to women, according to the relevant documentation. A total of 114 poor women have obtained loans over the past two years (no data are available on the cumulative number of loans to all borrowers). Here, too, the documentation indicates that female beneficiaries focus largely on traditional economic activities such as raising poultry and small livestock, small-scale vending, baking and handicraft production. This would explain the preponderance of small loans secured by female beneficiaries, ranging from US$ 145 to US$ 290. Indications are that the SOFD follows a minimalist approach to microcredit lending.

The foregoing review of gender-specific aspects of microcredit lending among selected facilities in Yemen suggests the following tentative conclusions (obviously requiring verification):

(a) Yemeni women's share of disbursed loans remains relatively limited. This would appear to be linked as much to the type of micro-enterprise activities seemingly promoted by microcredit finance facilities (largely associated with the male gender role) as to the complex of gender-specific constraints that continue to hinder female mobility and participation in household decision-making;

(b) For all the microcredit lending facilities surveyed, the types of income-generating activities in which female borrowers are engaged reflect the predominant focus on women's traditional skills, which is largely related to cultural perceptions of their reproductive role. This has implications both for the economic value accorded to those female enterprise activities facilitated by access to microcredit and for the marketability of products (the exception being livestock);

(c) The above would explain why the loans obtained by females were relatively small, ranging from US$ 65 (ADRA) to US$ 580 (SEDU), and seemingly averaging US$ 300. However, this should perhaps be viewed within the wider context of Yemen's relatively low per capita gross domestic product (GDP) (estimated at US$ 280 in 1996; Alnawwab, 1998: 3), and the fact that rural Yemeni women tend to have minimal access to cash. In other words, though the average loan for female borrowers follows the almost universal trend of being below the average loan for male borrowers, it may be presumed to be making a difference to poor women's lives in the Yemeni cultural and socio-economic context. Much obviously depends on who has control over the use of the loans;

(d) In the light of the above, the term micro-enterprise (used in all the documentation reviewed on Yemen) may need to be applied with some caution in connection with female economic activities activated by access to microcredit, since there are indications that it pertains for the most part to home-based income-generating activities, particularly in rural areas;

(e) No concrete information is available on female borrowers' control over the use of loans or related benefits. Given rural Yemeni women's traditionally limited involvement in marketing (unless they are from among the poorest social strata and/or do not have close male kin), it may be tentatively concluded that access to microcredit does not necessarily lead to access to or control over cash profits;

(f) Some of the microcredit finance facilities surveyed recognize that women generally have very limited access to physical collateral and are therefore willing to accept personal (male) guarantors; however, the other main constraint typically associated with female borrowers—the fact that they have little or no cash—is seemingly not taken into consideration, as female borrowers are required to provide the same client share as male borrowers. This raises the question of whether the very poor are being reached in line with the mandates of the various microcredit finance facilities surveyed;

(g) The definition of microcredit-plus appears to require some modification in the Yemeni context. Female borrowers seem to have limited access to training, traditional or otherwise, but those in rural areas in particular are being targeted by multi-pronged development interventions that answer the (often acute) need for basic social and other services;

(h) Notwithstanding pronouncements regarding the improvement of Yemeni women's socio-economic status, it would appear that women function mainly as an entry point for poverty alleviation programmes targeting urban/rural households. This inadvertently reinforces the cultural perception that women's socio-economic and legal status is intricately linked with that of male kin and the household.

Among the microcredit-finance facilities surveyed in Yemen, ADRA appears to be the only whose documentation includes explicit reference to a policy of empowering women to improve their situation and that of their families by raising their self-awareness and self-confidence through the provision of seed capital for income-generating activities (cf. ADRA, n.d./a). While this may seem to reflect a minimalist approach to empowerment, it should obviously be judged within the Yemeni cultural and socio-economic context. Linking microcredit access with women's empowerment in Yemen requires the parallel provision of basic social and other services to which the poor, both men and women, have limited access. Thus, the approach taken by ADRA—linking benefits to women with benefits to the family, making a point of gaining access to female beneficiaries via (male) community leaders to avoid resistance to its focus on women in its microcredit programme component, and requiring women to obtain the permission of male kin before they can join the village bank—may be viewed not so much in terms of contradicting the minimalist approach to women's empowerment, but rather in terms of initiating the empowerment process in a cultural context in which the gender gap, especially in rural areas, is large relative to other parts of the Arab region.

The issue of women's empowerment was raised in both verbal and written communications with the other microcredit finance facilities surveyed, but very few chose to give a clear answer. Empowerment (here too using the Arabic term for enabling) was generally viewed in relation to improving women's health and education levels as part of wider efforts targeting all members of poor urban/rural households. In this context, it appears that the facilities concerned more or less take it for granted that the benefits accruing from access to microcredit will trickle down to all the members of the household irrespective of gender. Accordingly, customs hindering women's physical mobility are circumvented by accepting a proxy to negotiate/sign on a female borrower's behalf, and the requirement of obtaining the prior approval of male kin is not questioned. Equally crucial, there would appear to be minimal questioning of the type of economic activities in which female borrowers invest their loans. Though the marketability of livestock may not be problematic, little attention appears to be given to the marketability of other products emanating from female borrowers' economic activities facilititated by access to loans or, for that matter, to women's status as largely unpaid family labour.

PART THREE

FEASIBILITY OF MICROCREDIT FINANCE FACILITIES FOR POOR URBAN AND RURAL WOMEN IN THE ARAB REGION: CONCLUSIONS AND RECOMMENDATIONS

IX. CONCLUSIONS

The analyses of available/accessible information and data on selected facilities offering microcredit finance in Lebanon, Tunisia and Yemen reveal some interesting similarities and differences between the three countries and provide a number of insights with regard to the feasibility of operationalizing this type of poverty alleviation tool and whether/the extent to which this tool promotes women's empowerment. The most important conclusions are presented below.

1. The public sector's role in providing access to microcredit finance varies but is more pronounced in Tunisia and Yemen. In Yemen microfinance is a relatively recent phenomenon (established mainly during the 1990s), while in Tunisia it has been an option for over two decades. Evidence in both of these countries suggests that the NGO sector plays a secondary role in this respect. By contrast, in Lebanon it is primarily the NGO sector that provides microfinance to the poor, though here, too, over two thirds of the facilities surveyed are of relatively recent origin.

2. In Tunisia and to some extent in Yemen, the predominance of the public sector is largely tied to the elaboration of national poverty alleviation strategies explicitly focusing on human resource development and, by implication, micro-enterprise development. In Lebanon, however, facilitating economic growth and reducing inflation appear to constitute the primary focus of the national poverty alleviation strategy.

3. The participation of the formal banking sector in providing microfinance services to poor population groups forms an integral part of Tunisia's poverty alleviation intervention promoting micro- and small-scale enterprise as a means of skill development and employment creation. Accordingly, explicit microcredit policies have been formulated. The application of a microcredit-plus approach that places particular emphasis on training is one clear government strategy, adopted to varying extents by Tunisian NGOs involved in the provision of these services to poor population groups. Loans are generally subsidized and include a grant element, and in some cases a specified client share is required as a sign of the borrower's commitment. Only one of the NGO microcredit finance facilities surveyed in Tunisia charges real interest rate and, interestingly, has a savings scheme.

4. The same pattern is more or less discernible in Yemen, though this country's formal banking sector has only recently become involved in providing microcredit finance. Here, too, the grant, interest-free credit and client share combination characterizes microcredit lending, and the public sector provision of microcredit is generally not linked to a savings component. Only one of the NGO facilities surveyed in Yemen charges a relatively high interest rate (calculated as a flat fee) and links mandatory savings with loan access. A variation of the microcredit-plus approach is discernible among the Yemeni facilities surveyed: while there appears to be less evidence of training provision, access to microcredit is formally linked with efforts to

improve the provision of basic social and educational services for poor households, especially in rural areas. It should be kept in mind that, as available socio-economic indicators suggest, implementing poverty alleviation interventions in Yemen is particularly challenging in view of the level of infrastructure development and social services provision there.

5. In Lebanon, some formal banking institutions have recently become involved in providing microcredit finance. Available data indicate that microcredit interest rates vary widely. Some of the facilities surveyed believe that microcredit rates must be lower than the formal market rate if the poor are to be effectively targeted and allowed to benefit, while others link real interest rates with the sustainability of their microcredit lending programmes and, by implication, reduced reliance on donor funding. The link between microcredit access and micro-enterprise support appears to be tenuous. This link is usually mentioned in NGO objectives, though in some cases it remains unclear whether such support constitutes an explicit loan condition and, more crucially, to what extent micro-enterprise implementation is followed up. There appear to be few cases in which conditions have been effectively applied, in terms of explicitly linking loan access with market-relevant feasibility studies to determine the viability of the existing/proposed enterprise and following up on implementation. By implication, and according to available evidence, microfinance provision in Lebanon appears to be based largely on variations of the minimalist approach.

6. With regard to the gender aspects of microcredit finance in the three countries concerned, it is interesting to note that none of the public sector facilities surveyed targets women exclusively; some NGOs do, but they remain a minority in this respect. In Tunisia most of the public sector and NGO microcredit lending facilities explicitly target male and female beneficiaries, with a minority in both sectors following a more or less gender-neutral approach. The explicit targeting of both genders is also the predominant approach taken by the facilities surveyed in Yemen. By contrast, the accessible documentation indicates that some 43 per cent of the microcredit finance facilities surveyed in Lebanon follow a gender-neutral targeting approach, with a roughly equal proportion explicitly targeting both genders.

7. In all three countries the available evidence suggests that female borrowers' share of disbursed loans tends to be lower than that of males. In many cases there is a conspicuous difference in loan size, more or less consistent with the pattern found elsewhere in the third world. However, there are also indications in the three countries surveyed that female borrowing tends to be linked to more flexible collateral requirements, in apparent recognition of women's gender-specific constraints in this respect. This is most evident among those microcredit finance facilities explicitly targeting poor urban and/or poor rural women; where poverty alleviation is not the main concern, formal pronouncements on related objectives notwithstanding, collateral requirements tend to be more in line with those of the formal banking sector.

8. Where group-based saving and lending mechanisms (variations of the informal ROSCA model) are being operated, beneficiaries appear to be almost exclusively women and loan sizes are (not surprisingly) relatively small. It is striking that this is generally linked with the charging of real interest rates and with efforts by the NGO microcredit finance facility concerned to achieve a measure of sustainability by reducing reliance on donor funding.

9. The link between small loans and female borrowers is discernible in all three countries and applies to both the public sector and the NGO microcredit finance facilities surveyed. Gender-specific constraints in these countries affect not only poor urban/rural women's access to microcredit but also their investment options. Specific constraints include women's low educational levels and the fact that they have few market-relevant skills, their unequal access to assets and resources, the pressure on women to balance the demands of their reproductive and productive roles, their limited involvement in household decision-making, their unequal status in the labour market, and their frequent over-representation in the category of unpaid family labour. This is particularly entrenched in Yemen, where the gender gap is widest among the three countries surveyed (according to socio-economic indicators). However, even in Tunisia, where women's social and legal status generally allows them to participate more actively in the development process, and where there is an official policy to involve women in micro-enterprise development, the pervasiveness of the unequal division of labour between men and women and their unequal access to and control over resources reflects the strength of gender-based discriminatory customs and traditions. Though Lebanon has a higher GEM ranking than Tunisia and Yemen, the gender gap is perpetuated there as well by continuing gender-based discriminatory customs and traditions, the force of which varies according to variables such as class and geographical location.

10. Given the complex of gender-specific constraints, it is not surprising that small loan size is linked with the type and scale of economic activities pursued by female borrowers. In all three of the countries surveyed, women tend to be involved in economic activities for which they have (or are presumed to have) the required traditional skills, which means that they are largely confined to less productive and less profitable market niches. The gender-specific constraints serve to explain the propensity of poor women to opt for economic activities that require little working capital and minimal technology, are labour-intensive, and can be operated within the vicinity of the home base. Available evidence in the three countries surveyed suggests that small loan size is almost inevitably linked to one-person-owned/-operated income-generating activities, and rather less to actual micro-enterprises.

11. In the light of the realities outlined thus far, evidence of the effectiveness of microcredit as a poverty alleviation tool remains inconclusive. Even for those microcredit finance facilities explicitly pursuing a poverty alleviation objective, the analyses generally point to the (tentative) conclusion that it is primarily the symptoms of poverty (in facilitating poor women's access to affordable loans), that are being

addressed and much less the gender-specific root causes of poverty, where both gender and class variables combine to perpetuate women's economic vulnerability and social subordination.

12. In Yemen, and particularly in rural areas, women are subjected to widespread income and capability poverty; in this specific socio-economic and cultural context, protectional microcredit for pre-entrepreneurial women could best be said to apply. Poor women in this category require a package of supportive interventions to improve their education, health/reproductive health and nutrition and enable them to eventually pursue home-based income-generating activities. Any resulting improvement in their socio-economic (household and community) status would depend on the extent to which they acquired some say over the use of the loans and a share in the eventual benefits. Anecdotal evidence suggests that female subsistence entrepreneurs (poor women who have more or less satisfied their basic needs and can venture into self-employment) are numerically less preponderant in Yemen. It may be tentatively concluded that enterprising women (those who are in a position to take on the challenge of pursuing economically more independent activities) in Yemen are less likely to be income poor but will probably be capability poor, and are more likely to be based in urban areas, where constraints on female physical mobility tend to be less pronounced.

13. In Lebanon, available evidence suggests a link between small loan size and the female subsistence entrepreneur. However, it is not known for certain whether poor Lebanese women apply for loans largely for protectional purposes (to secure relatively unencumbered access to a cash source for consumption) or to accumulate working capital for income-generating activities. Little is known about why poor women drop out of group-based savings and lending associations, which aim to facilitate their access to promotional microcredit as a means of accumulating working capital. Even less appears to be known about the extent to which pre-entrepreneurial women especially in marginalized rural areas, are able to gain access to the various microcredit finance facilities targeting the poor in Lebanon. For enterprising women the link with the level of poverty appears to be less clear. Anecdotal evidence suggests that the level of income poverty among women in this category may be less pronounced, though their existing skills may be of limited marketability. In some cases microcredit may serve as an instrument of business development and growth rather than as a means of poverty alleviation.

14. In Tunisia, government-sponsored programmes targeting both genders for the development and/or upgrading of skills as a means of promoting micro-enterprise activities to reduce unemployment have so far not been accompanied by an equally rigorous campaign to introduce changes in the largely gender-stereotypical training offered to females by public sector institutions and some of the NGOs active in this field. Tunisian women generally encounter a complex of gender-specific constraints that prevent them from acquiring the working and investment capital they need to take advantage of labour-saving technology and secure access to profitable markets. Here,

too, smaller-sized loans tend to be linked with female subsistence entrepreneurs, who are mainly self-employed and operate in the vicinity of the home base. It should be pointed out, however, that in Tunisia the boundary between the female subsistence entrepreneur and the enterprising woman appears to be less clear-cut, with government-sponsored support (at least theoretically) facilitating the transition from one to the other. Relatively stringent regulations regarding the registration of micro-enterprise activities function as a form of legal security for female entrepreneurs, though true security obviously depends as well on the extent to which these women actually control the production and marketing process related to their enterprise activities.

15. In cases in which a more innovative approach has been taken and women's access to loans is linked to economically profitable and therefore less stereotypically "female" micro-enterprise activities, available evidence suggests that the link with poverty alleviation is rather tenuous, given the higher loan amounts and skill levels required. Evidence also suggests that attempts to provide the training needed to operate a viable economically profitable micro-enterprise are less likely to involve pre-entrepreneurial women or female subsistence entrepreneurs—the two groups that are assumed to be the primary targets of poverty alleviation interventions. This points to the need for investment in flexible training packages that pragmatically address the gender-specific and poverty-related needs and priorities of these women.

16. As far as could be ascertained, there is no explicit reference to women's empowerment in any of the available/accessible documentation indicating the programme objectives of the microcredit finance facilities surveyed in Tunisia. However, interviews with some of the facilities singled out for further study revealed an apparent link, in some cases, between the microcredit-plus approach (training coupled with female awareness raising and confidence building) and the attempt to move in the direction of a broader approach to empowerment, though this tends to be implicitly rather than explicitly expressed. This, in turn, appears to be linked with some attempts to address poor female beneficiaries as individuals in their own right, even though targeting objectives tend to be couched in language that inadvertently reinforces the assumption that a woman's welfare is inextricably linked with that of her family.

17. In Lebanon, as in Tunisia, none of the available/accessible documentation dealing with programme objectives explicitly mentions women's empowerment. However, discussions with staff at a number of the facilities singled out for further study indicate that there is an apparent link between the minimalist approach to microcredit and the minimalist approach to women's empowerment. Facilitating access to loans and, in some cases, linking loan access with micro-enterprise viability are presumed to function as a catalyst, inducing positive changes in women's socio-economic role and status. Here, too, an explicit connection is made between the presumed benefits accruing from poor women's access to microcredit and the welfare of their families.

18. In Yemen, available evidence suggests that access to microcredit is viewed primarily in terms of its potential for improving the living conditions of poor households. In this context, women serve as an entry point for poverty alleviation initiatives, and while they may not constitute the main focus they nonetheless enjoy direct benefits, as the link between effective poverty-related efforts and improvements in female education, health and nutrition standards is well established and acknowledged. Accordingly, women's empowerment is not referred to explicitly in the available/accessible documentation. Few respondents chose to provide clear answers when questions regarding this subject were raised, though it became clear that most saw empowerment in terms of the assumption that improving the welfare of a poor family would by implication improve the welfare of its female members.

19. It should be pointed out that the translation of "empowerment" as "enabling" in Arabic appears to inadvertently encourage variations in the interpretation of this term that largely reflect the different perceptions of women's gender role and the flexibility of cultural boundaries in this respect. The concept of enabling appears to be largely defined in terms of the minimalist approach to empowering women, with women's reproductive role implicitly (and at times explicitly) accorded primary importance over their productive role.

20. Just as microcredit cannot alleviate poverty unless it is linked to a comprehensive package of poverty alleviation interventions, it cannot effectively empower poor women unless it is accompanied by serious efforts to address the structural problems underlying the visible manifestations of gender inequality. A few words of caution are in order here: first, not every poor woman is a budding entrepreneur who just requires the right kind of support to unleash her energies, and it is therefore important not to overlook the ability or inclination of individual women to make choices and/or take action; second, not every poor woman (or for that matter every poor man) may necessarily have the aptitude for a micro-enterprise activity; and third, it is important not to confuse micro-enterprise endeavours with those income-generating activities undertaken by poor women in response to economic pressures.

21. It is evident that women's empowerment needs to be viewed as a continuum—an ongoing process of moving from a minimalist to a broader approach—if sustainable human development is to be achieved. While this process may vary from one culture or society to another in terms of the number of stages it entails, with some Arab countries being situated further along the continuum than others, a high degree of commitment is required by all parties to ensure that the process keeps moving forward, with efforts made to reduce the gender gap by effectively addressing the structural problems responsible for perpetuating the gender-based unequal division of labour and unequal access to/control over resources.

X. RECOMMENDATIONS

The recommendations below are addressed to national Governments NGOs and donors, the three constituencies most involved in the support and provision of microcredit finance and micro-enterprise development targeting poor urban/rural female population groups in the Arab region.

It should be kept in mind that the socio-economic context of the Arab country concerned will determine whether particular recommendations can be implemented in the short or the long term. Some recommendations overlap, and the effective implementation of others requires coordination and cooperation between the different agencies involved. This underlines the need to link the macro and micro levels to facilitate the effective implementation of gender-sensitive poverty alleviation strategies conducive to promoting sustainable human development.

A. RECOMMENDATIONS FOR NATIONAL GOVERNMENTS

1. National poverty alleviation strategies should be reviewed to ensure that equal weight is given to human resource development that explicitly incorporates a gender-sensitive approach.

2. Current assumptions regarding the effectiveness of microcredit as a primary poverty alleviation tool should be reconsidered; a multi-pronged approach should be adopted that includes microcredit as part of a comprehensive gender-sensitive poverty alleviation package.

3. Support should be provided for the formulation of microcredit finance policies targeting poor women and the adoption of a microcredit-plus approach, though it should be recognized that this cannot be cost-effectively implemented by one particular programme/agency and that a package of non-finance interventions will be required.

4. To facilitate the above, steps should be taken to promote effective cooperation and coordination between different agencies in recognition of the fact that each may have distinct strategic advantages in terms of experience/specialization in the provision of microcredit finance and/or non-finance services.

5. Current banking legislation and regulations should be reviewed with the aim of increasing the formal banking sector's motivation and ability to facilitate poor women's access to microfinance.

6. The preceding measures should be linked with support for the training of loan officers to ensure that they are both proactive and gender sensitive, and with efforts to support equal employment opportunities for female loan officers who may function as role models.

7. Training packages designed to support micro-enterprise development should be reviewed to ensure that they address the needs and priorities of pre-entrepreneurial women and female subsistence entrepreneurs, rather than being tailored to the circumstances of existing or potential enterprising women.

8. The provision of training should be linked with the objective of improving women's labour market position; it should be kept in mind that training should not constitute a one-time intervention if the aim is to economically empower poor women and integrate them into the mainstream economy.

9. The link between micro-enterprise training and vocational training should be reassessed to ensuring that both are market relevant and do not perpetuate women's relatively low labour status by focusing on female gender-stereotypical skills and economic activities.

10. Efforts should be made to facilitate poor women's access to intermediate technology that can enhance their labour productivity and to labour-saving technology that can reduce the workload associated with their reproductive role.

11. In recognition of the fact that poor women's numerical preponderance in the informal sector is largely due to the fact that no other viable alternative exists for income generation, particularly in times of economic distress, steps should be taken to promote measures that support the transition from informal to formal sector employment among female entrepreneurs as a specific strategy for improving the labour market position of poor women.

12. An investment should be made in the development of gender-disaggregated statistics; data should not only be sex-disaggregated but should also accurately reflect the male-female division of labour and access to/control over resources.

13. The link between poor women's income-generating activities and the incidence of child-labour and female school drop-out rates should be addressed to ensure that the inter-generational transmission of poverty is effectively checked.

14. A clear distinction should be made between the minimalist and the broader approach to women's empowerment, and policies and strategies that effectively promote progress along this continuum should be formulated to ensure that existing gender gaps are reduced.

15. In connection with the above, a clear differentiation should be made between microcredit as part of a complex package measures for empowering poor women and microcredit as a tool for alleviating poverty.

16. In cases in which poverty alleviation strategies target poor households as an entity, the idea of women co-signing loan applications should be promoted as part of

the progression along the continuum towards a broader approach to women's empowerment.

17. Support should be provided for the empowerment of poor urban and rural women as an integral part of strategies to empower the poor both socially and economically; this includes enhancing their capacity to live in security and with dignity and to be integrated into the mainstream economy.

18. In association with the above, steps should be taken to ensure the security of poor urban and rural women through the provision of the necessary services and support in the areas of basic education, health/reproductive health and nutrition, as poor women concerned with basic survival are unlikely to have either the time or the energy to pursue viable micro-enterprise activities.

B. RECOMMENDATIONS FOR NON-GOVERNMENTAL ORGANIZATIONS

1. More explicit account should be taken of variations of the minimalist and microcredit-plus approaches in microcredit finance programmes; projects reflecting the strategic advantage of an NGO in terms of specialization and experience can then be formulated, and strategies for cooperating/coordinating with other microcredit finance and non-finance service providers can be clearly defined.

2. The meaning of high repayment rates as an indicator of success should be more clearly defined, with a distinction made between the perspective of the microcredit finance programme and that of the target beneficiaries.

3. In terms of outreach indicators, a clear distinction should be made between cumulative numbers of beneficiaries and active borrowers.

4. If providing promotional credit is the declared objective, steps should be taken to investigate why women drop out of group-based savings/lending programmes and why they discontinue income-generating activities presumably supported by access to loans.

5. In cases in which loan access is coupled with some kind of training to acquire or upgrade skills, an effort should be made to ensure that the latter is linked with market demand for the goods produced; reliance on poor consumers as clients for low-priced/low-quality goods produced by females engaged in income-generating activities does not help women improve their labour market position in the long run.

6. In connection with the above, a distinction should be made between upgrading women's traditional skills and providing/facilitating training through which they can acquire market-relevant (and generally not stereotypically "female") skills; this implies the need to support training programmes in which skill upgrading is not an end in itself but a first step towards economic empowerment for women.

7. Support for training should be combined with efforts to facilitate poor women's access to technologies that enhance labour productivity as well as labour-saving technological devices that contribute to reducing the workload related to poor women's reproductive role.

8. In project design, a clearer distinction should be made between support for female income-generating activities engaged in for physical survival and the promotion of enterprising women with the aptitude to establish and efficiently run micro-enterprise establishments; in essence, a distinction should be made between protectional and promotional credit provision.

9. Where women's empowerment is a programme objective, the term should be explicitly defined and distinctions made between the following:

(a) The proactive approach versus the palliative approach to empowerment (the latter involves reducing some aspects of women's powerlessness);

(b) The economic versus the social and legal empowerment of women;

(c) The minimalist versus the broader approach to empowerment.

10. The distinctions made in respect of women's empowerment should be clearly linked with the decision to pursue the minimalist or the microcredit-plus approach.

11. With regard to the link between savings and lending, a clearer distinction should be made between the objectives of supporting poor women's ability to save in order to contribute to their economic empowerment and requiring savings as a component of efforts to promote the financial sustainability of the microcredit finance facility concerned.

12. Along the same lines, a distinction should be made between women's risk aversion, which discourages them from applying for larger loans, and the microcredit lending facility's aim of "testing" women's savings capacity as a risk-reducing strategy. The latter may be an important factor in terms of the facility's operations, but the former needs to be considered more carefully in the light of evidence suggesting the existence of a link between small loan size and the perpetuation of poor women's disadvantaged labour market position and confinement to unprofitable market niches.

13. The loan/grant/client share approach to microcredit provision should be re-evaluated, with consideration given to the distinction between protectional and promotional credit and, by implication, the different categories of female entrepreneurs.

14. Women's capabilities can be improved through the provision of services to ensure better health/reproductive health, education, nutrition and sanitation, through the provision of market-relevant training, and through efforts to facilitate access to affordable microcredit. Advocacy is needed to ensure that these elements are appropriately linked and incorporated in programme strategies and design.

15. Effective targeting requires effective monitoring, which in turn requires investment in terms of staff time and skills; NGOs must be willing to make such an investment if they hope to move beyond measuring the impact of access to microcredit finance according to repayment rates and cumulative number of borrowers and instead determine the extent to which the objectives of poverty alleviation and poor women's empowerment have been achieved.

C. RECOMMENDATION FOR DONORS

1. The type of microcredit finance programme to be supported should be clearly defined in donors' programme objectives, with account taken of variations in the minimalist and microcredit-plus approaches respectively, and the manner in which this is linked not only to the capacity of the implementing agency but also to the specific socio-economic context in which the programme is to be implemented; by implication, support should be provided for mechanisms designed to facilitate coordination between microfinance provision and non-finance services as an integral part of gender-sensitive poverty alleviation strategies.

2. The scope of women's empowerment to be supported should be clearly defined, with appropriate consideration given to the specific socio-economic context or, more specifically, the stage a particular country has reached along the empowerment continuum. While pragmatic and culturally sensitive decisions should be made with regard to the adoption of a minimalist or broader approach, the aim in all cases should be to formulate explicit programme objectives conducive to the progressive reduction of existing gender gaps.

3. In connection with the above, interventions designed to ease the workload associated with poor women's reproductive role should be supported. Expecting poor women to continue to shoulder time-consuming household and other family-related tasks parallel to becoming involved in skill acquisition (training) and income-generating activities is unrealistic and does little to reduce the gender gap. Further, such a scenario is all too often played out at the expense of the girl child or children in the household, which has obvious implications for the inter-generational transmission of poverty.

4. Support should be provided for the cost-effective development and collection of indicators to monitor the impact of microcredit finance and non-finance programmes. Such efforts should be linked to the training of implementing agency staff to provide them with gender-sensitive monitoring skills.

5. Support should be provided for pilot projects that incorporate innovative approaches to linking microcredit (as part of a package of poverty alleviation tools) with the empowerment of poor women.

6. Support should be provided for the development of training packages that are flexibly adapted to the different categories of poor women (pre-entrepreneurial women, female subsistence entrepreneurs and enterprising women), and steps should be taken to ensure that access to training is effectively linked with access to microcredit finance.

7. Support should be provided for the development of training packages designed to promote poor women's access to profitable economic activities that by definition are not gender-stereotypical; efforts in this area should be linked with support for interventions aimed at improving poor women's labour market position.

ANNEXES

Annex I

OVERVIEW OF SELECTED MICROCREDIT LENDING FACILITIES IN LEBANON*

Archevêque Grec Catholique

Area: southern regions; active since 1993

Funding: grants

Sectors: urban and rural

Activities: provides support for small enterprises, including microcredit; agricultural projects

Target groups: craftsmen and farmers; no explicit targeting of women

Beneficiaries:[1] 50 (24); no female beneficiaries to date

Loan size: maximum US$ 3,000 in cash

Conditions: profit-making enterprises; beneficiary commitment to reinvest in project; no information available on beneficiary contribution

Maximum loan maturity: 24 months

Grace period: 2 months

Interest: 3 per cent per year

Repayment rate/period: 94 per cent; no information available on repayment period

Types of guarantee: financial co-signer

Association d'Entreaide Professionnelle

Area: all regions; active since 1984

Funding: grants and private donations

Sectors: urban and rural

Activities: provides credit to small enterprises; follow-up of beneficiaries via local volunteer committees; business counselling

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* Organizations are listed in alphabetical order. Data were obtained from UNDP materials and other written documentation (see the list of selected references on Lebanon), supplemented by information collected by the resource person for Lebanon. Data are the latest available/accessible.

[1] For all organizations listed, the first figure reflects the latest available data on total numbers since project inception; the figure in parentheses represents the number of active beneficiaries.

Target groups: heads of poor households active in farming, handicrafts, trade and services; no explicit targeting of women

Beneficiaries: support to 940 (250) projects; 1-3 families/project; no information available on female beneficiaries

Loan size: US$ 1,000-US$ 5,000

Conditions: individual and group lending to poor families; viable projects; legal work permit; available collateral; 20 per cent beneficiary contribution depending on case/project

Maximum loan maturity: 24 months

Grace period: 1-4 months

Interest: 8-12 per cent per year in US dollars; 10-15 per cent per year in Lebanese pounds

Repayment rate/period: 95 per cent; monthly/seasonally

Types of guarantee: property title, mortgage, bonds

Associated Fund for Economic Development

Area: Beirut; active since 1974

Funding: grants and private donations

Sectors: urban

Activities: provides credit to small enterprises; training in basic accounting

Target groups: low-income families; no explicit targeting of women

Beneficiaries: 10,000 (3,000); no information available on female beneficiaries

Loan size: US$ 1,000-US$ 3,000

Conditions: economically viable enterprises; beneficiary contribution of up to 25 per cent

Maximum loan maturity: 24 months

Grace period: none

Interest: 6-7 per cent per year

Repayment rate/period: 100 per cent; monthly

Types of guarantee: personal guarantor

Association Najdeh

Area: all regions; active since 1993

Funding: grants

Sectors: urban and rural

Activities: provides support, including credit, to small enterprises; training in accounting

Target groups: displaced; explicit targeting of women

Beneficiaries: 45 (40); 50 per cent female

Loan size: US$ 1,000-US$ 3,000

Conditions: appropriate skills; no beneficiary contribution

Maximum loan maturity: 24-30 months

Grace period: 3-6 months

Interest: 8 per cent per year

Repayment rate/period: 75 per cent; no information available on repayment period

Types of guarantee: two financial co-signers

Caritas/Liban

Area: all regions; active since 1976

Funding: grants

Sectors: urban and rural

Activities: provides support, including credit to existing and new income-generating activities and small enterprises

Target groups: low-income rural/urban households; no explicit targeting of women

Beneficiaries: 5,000 (2,200); 30 per cent female beneficiaries

Loan size: US$ 200-US$ 500; US$ 1,000-US$ 3,000

Conditions: proof of repayment capacity; viable project; experience in enterprise activity; beneficiary contribution in kind

Maximum loan maturity: 42 months

Grace period: 0-6 months depending on project

Interest: 24 per cent per year for US$ 200-US$ 500; 12 per cent per year for US$ 1,000-US$ 3,000

Repayment rate/period: 60 per cent; every three months/seasonal

Types of guarantee: financial co-signer

Catholic Relief Services Caritas

Area: Akkar, Bekaa and Hermel regions; active since 1996

Funding: grants

Sectors: urban and rural

Activities: provides credit for income-generating activities; establishes village bank groups; supports full-time credit officer

Target groups: poor women

Beneficiaries: 1,087 (632) in 21 village banks; 100 per cent female

Loan size: US$ 200-US$ 500 cash; amount increases with each 4-month loan cycle

Conditions: access to credit linked with savings scheme

Maximum loan maturity: 4-month cycles

Grace period: 0-2 weeks

Interest: 24 per cent per year

Repayment rate/period: 100 per cent; weekly

Types of guarantee: solidarity group

Cooperation for Development

Area: all regions; active since 1993

Funding: grants

Sectors: urban and rural

Activities: provides support, including credit to small enterprises; legal advice and training; support to local NGOs to allow them to take charge of lending operations; development/sale of the Credit Manager Programme software

Target groups: priority given to women, the disabled and the displaced

Beneficiaries: 126 (111); 43 per cent female beneficiaries

Loan size: US$ 1,000-US$ 15,000

Conditions: unemployed with job experience; viable enterprises

Maximum loan maturity: 36 months

Grace period: 6 months

Interest: 10.5 per cent plus 2 per cent service fee

Repayment rate/period: 71 per cent (90 per cent of women)/monthly

Types of guarantee: two co-signers; life insurance; property title

Institute for University Cooperation (Rome)/Ministry for the Displaced (Lebanon)

Area: resettlement of displaced persons in the Chouf and Aley areas; active since 1996

Funding: grants and bank loans

Sectors: mainly rural, but also some urban areas

Activities: provides credit to small enterprises and to community projects; special emphasis on agricultural and agro-industrial projects; detailed feasibility studies and follow-up of the project implementation process

Target groups: displaced, cooperatives and NGOs; no explicit targeting of women

Beneficiaries: no information available

Loan size: US$ 9,000-US$15,000 cash; combination of grants and loans

Conditions: certificate issued by the Ministry for the Displaced; written commitment to reside in project area and to attend one or more training courses if deemed necessary; project feasibility study

Maximum loan maturity: 12-72 months

Grace period: 6 to 12 months

Interest: 3 per cent for individuals or cooperatives

Repayment rate/period: no information available/variable

Types of guarantee: collateral and life insurance required

International Fund for Agricultural Development/Ministry of Agriculture

Area: Baalbek and Hermel; since 1992

Funding: loans

Sectors: rural

Activities: provides credit for agricultural income-generating activities; support throughout the project period

Target groups: poor farmers; explicit targeting of women

Beneficiaries: 500; 30 per cent female beneficiaries

Loan size: maximum US$ 2,150; for female beneficiaries in kind (livestock), with maximum credit of US$ 300

Conditions: male beneficiary's contribution is 25 per cent; none for female beneficiaries; proven experience; no access to bank loans

Maximum loan maturity: 5 years; 36 months for female beneficiaries

Grace period: 6 months

Interest: 9.5 per cent per year

Repayment rate/period: low due to political intervention/no information available

Types of guarantee: one employed guarantor for female beneficiaries; two co-signers or bank guarantee for male beneficiaries

Lebanese-American Cooperation Project/Ministry of Agriculture

Area: rural Lebanon; established in 1997

Funding: loans; training is supported by a USAID grant

Sectors: rural/agriculture

Activities: provides support for training of farmers at the AUB farm; credit in kind

Target groups: poor farmers; no explicit targeting of women

Beneficiaries: 450; no information available on female beneficiaries

Loan size: maximum US$ 3,000 (in kind/cows)

Conditions: beneficiary's participation in training; appropriate legal papers; farm size conducive to livestock production (minimum four cows)

Maximum loan maturity: 2-4 years

Grace period: 1 year

Interest: 7.5 per cent per year

Repayment rate/period: new project/first repayment after one year

Types of guarantee: property/farm title; co-signer

Lebanese Association for Development (Al Majmoua)

Area: all regions; active since 1997

Funding: grants

Sectors: urban and rural

Activities: provides credit for income-generating activities and micro-enterprises; full-time community-based credit officer

Target groups: exclusively poor working women

Beneficiaries: 3,387 (3,135)

Loan size: US$ 250-US$ 3,000 in cash; amount increases with each loan cycle

Conditions: female beneficiaries with existing income-generating activity and no access to bank loans; mandatory savings for larger loans

Maximum loan maturity: 4 months

Grace period: small loans: none; larger loans: 2 weeks

Interest: 24 per cent per year

Repayment rate/period: 99.8 per cent/bimonthly

Types of guarantee: small loans: group guarantee; larger loans: mandatory savings

Lebanese Cooperative for Development

Area: rural (Akkar and Baalbek); mainly displaced areas in Chouf; active since 1994

Funding: grants and private donations

Sectors: urban and rural

Activities: provides credit for new and existing small enterprises

Target groups: entrepreneurs; no explicit targeting of women

Beneficiaries: 70 loans/year

Loan size: US$ 10,000 per project in cash

Conditions: feasibility study submitted to and approved by three committees (banks and LCD members, donors, and credit executive committee); beneficiary must have source of income other than enterprise project for which credit is requested

Maximum loan maturity: 36 months

Grace period: 6 months/linked to project maturity

Interest: 8.8 per cent per year

Repayment rate/period: over 80 per cent/no information available

Types of guarantee: other source of income; property title

Makhzoumi Foundation

Area: at present mainly Beirut; active since 1998

Funding: grants

Sectors: urban and rural

Activities: provides credit for productive projects; training

Target groups: special focus on women with small enterprises

Beneficiaries: 50; no available information on female beneficiaries

Loan size: US$ 500

Conditions: existing/credible enterprise focusing on production/services; beneficiary over 18 years old, permanently residing in project area; beneficiary's contribution variable

Maximum loan maturity: 6 months

Grace period: 0-2 to 4 months

Interest: 20 per cent per year

Repayment rate/period: new project/no information available

Types of guarantee: no collateral; proven reputation/credibility of enterprise activity

Middle East Council of Churches

Area: all regions; active since 1988

Funding: grants

Sectors: urban and rural

Activities: provides support for social/economic development activities, including credit for small enterprises

Target groups: mainly institutions (such as cooperatives)/10 per cent individuals; explicit targeting of poor women

Beneficiaries: 315 (110); 50 per cent female beneficiaries

Loan size: US$ 500-US$ 2,000 for individuals; US$ 7,000-US$ 14,000 for institutions

Conditions: provides credit to institutions in remote/neglected areas; credit to poor individuals from displaced and female-headed households, and to households with disabled members; beneficiary's contribution variable

Maximum loan maturity: 30 months for individuals; 48 months for institutions

Grace period: 6 months for individuals; 6-12 months for institutions

Interest: 6-7 per cent per year

Repayment rate/period: 80-90 per cent/monthly

Types of guarantee: personal guarantor

Mouvement Social Libanais

Area: all regions; active in credit provision since 1995

Funding: private donations

Sectors: urban and rural

Activities: provides credit for small enterprises

Target groups: youth and women (18-35 years old) from families receiving services from the Mouvement Social Libanais

Beneficiaries: 30 (30); 50 per cent female beneficiaries

Loan size: US$ 2,000-US$ 3,000

Conditions: beneficiary has to have completed a vocational training course pertinent to the enterprise; proven commitment to the latter; beneficiary contribution depends on case

Maximum loan maturity: 24 months

Grace period: 6-12 months, depending on the project

Interest: credit in US dollars: 6 per cent per year; credit in Lebanese pounds: 9 per cent per year

Repayment rate/period: 90 per cent/monthly

Types of guarantee: property title; bonds; jewellery

Pontifical Mission

Area: presently selected rural clusters; active since 1998

Funding: grants

Sectors: urban and rural

Activities: provides credit for small enterprises

Target groups: part of USAID-supported development projects; no explicit targeting of women

Beneficiaries: no information available

Loan size: US$ 5,000

Conditions: proven experience in enterprise activity

Maximum loan maturity: 24 months

Grace period: 1-3 months

Interest: 10.5 per cent per year

Repayment rate/period: new project/no information available

Types of guarantee: personal guarantor

Rural Skills Development Association

Area: south Lebanon; active since 1998

Funding: grants

Sectors: urban and rural

Activities: provides credit for small enterprises; training in basic bookkeeping/ accounting

Target groups: poor small entrepreneurs; no explicit targeting of women

Beneficiaries: no information available

Loan size: US$ 3,500-US$ 4,500

Conditions: existing productive activities; beneficiary's contribution amounts to 25-45 per cent of the loan

Maximum loan maturity: 30 months

Grace period: 3 months

Interest: 12 per cent per year

Repayment rate/period: new project/no information available

Types of guarantee: two non-family wage-earners; existing equipment

Save the Children Federation

Area: all regions; active since 1994

Funding: grants

Sectors: urban and rural

Activities: Group Guarantee Lending and Savings Program (GGLS) provides credit and support services

Target groups: women in poor households; explicit targeting of women

Beneficiaries: 4,000 (1,000); 100 per cent female beneficiaries

Loan size: US$ 200

Conditions: existing enterprise; guarantee groups exclude family members

Maximum loan maturity: 4 months

Grace period: none

Interest: 23 per cent per year

Repayment rate/period: 99 per cent/bimonthly

Types of guarantee: solidarity group

UNDP/Integrated Rural Development Programme Baalbek-Hermel

Area: Baalbek-Hermel; active since 1993

Funding: grants

Sectors: rural

Activities: provides support for small/medium-sized farms, including credit for off-farm income-generating activities; follow-up on project activities

Target groups: farmers; no explicit targeting of women

Beneficiaries: 1,500

Loan size: US$ 1,000-US$ 2,000 in cash

Conditions: farmers must be active in project area; no access to bank loans; proven farming experience

Maximum loan maturity: seasonal; other loans: 1-8 years

Grace period: small/seasonal credit: 1 month; other credit: 6-12 months

Interest: seasonal credit: 8 per cent; medium-term credit: 8 per cent; longer-term credit (years): 7 per cent

Repayment rate/period: low due to political intervention

Types of guarantee: seasonal credit: two co-signers; other credit: property title, bonds

UNICEF/Palestinian Programme

Area: Palestinian camps; active in credit provision since 1996

Funding: grants

Sectors: urban

Activities: provides credit for income-generating activities

Target groups: poor Palestinians; explicit targeting of women

Beneficiaries: 121; 60 per cent female beneficiaries

Loan size: US$ 200-US$ 2,000 in cash

Conditions: Palestinian resident in a Palestinian camp

Maximum loan maturity: 24 months

Grace period: 1-2 months

Interest: 10 per cent per year

Repayment rate/period: 100 per cent/no information available

Types of guarantee: financial co-signer; other guarantor

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Area: Palestinian camps; active since 1992

Funding: grants

Sectors: urban and rural

Activities: provides credit for income-generating activities and viable small enterprises

Target groups: Palestinian refugees; explicit targeting of women

Beneficiaries: soft credit: 287 (14)/24 per cent female beneficiaries; mini-credit: 69 (56)/26 per cent female beneficiaries; other credit: 100 (62)/3 per cent female beneficiaries

Loan size: soft credit: US$ 3,000-US$ 5,000; mini-credit: US$ 300-US$ 3,000; other credit: maximum US$ 10,000

Conditions: soft credit: existing enterprise conducive to employment creation; mini-credit: proven skills/viable enterprise; other credit: proven skills/viable enterprise

Maximum loan maturity: soft credit: 8-18 months; mini-credit: 24 months; other credit: 12-36 months

Grace period: soft and mini-credit: 1 month; other credit: 2 months

Interest: soft and mini-credit: 5 per cent; other credit: 7 per cent

Repayment rate/period: soft and mini-credit: 99 per cent; other credit: 95 per cent; no information available

Types of guarantee: UNWRA staff members and guarantors

Annex II

OVERVIEW OF SELECTED MICROCREDIT LENDING FACILITIES IN TUNISIA*

A. GOVERNMENTAL ORGANIZATIONS

1. *Microcredit provision*

Banque Tunisienne de Solidarité

Established in 1997, the Banque Tunisienne de Solidarité (BTS) (62 per cent private and 38 per cent public sector deposits) targets low-income small-scale urban and rural entrepreneurs of both genders who reside in disadvantaged areas and have no access to formal credit sources. Loans are provided for both new and existing enterprises.

Loans range from 3,000-4,000 Tunisian dinars (D) to a maximum of D 10,000, with an interest rate of 5 per cent per year (partly subsidized by the Government).[1] Grace and loan periods are flexible, with the particular circumstances of clients taken into account. Eligibility criteria include the following: beneficiaries must provide 10 per cent of the credit amount (as the client share); documentation confirming qualifications and experience relevant to the proposed/existing enterprise is required; the project must be viable and market relevant; the beneficiary must be employed full-time in the enterprise; and a feasibility study must be carried out in collaboration with various government support institutions such as L'Agence Tunisienne de l'Emploi (ATE). Typical activities relate to: production, services and handicrafts. The latest available BTS data (May 1998) indicate that 27 per cent of the 409 clients who secured credit averaging D 3,000 are female.

Fonds National de Promotion de l'Artisanat et des Petits Métiers

The Fonds National de Promotion de l'Artisanant et des Petits Métiers (FONAPRAM), established in 1981 to promote micro-enterprises and handicrafts, added a credit component to its programme interventions in 1994. Eligibility criteria include professional qualifications and the establishment of viable projects in

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* The names of the organizations are given in French, as they appear in the documentation, though an English translation is provided in the main text of the present paper. Information on these organizations tends to be scattered and has been therefore compiled from different sources (see selected Arabic and non-Arabic references on Tunisia); information collected during informal interviews with staff at the selected microcredit finance facilities in Tunis has also been incorporated. Though data are for different years, and no claim is made with regard to their accuracy, they are believed to provide insight into the volume and pattern of micro-enterprise activities in rural and urban areas in Tunisia.

[1] US$ 1=D 0.9.

designated disadvantaged regions/areas. Beneficiaries benefited from tax and import duty relief for a specified period (until 1997).

Loans of less than D 10,000 require a client share of 4 per cent of the credit amount; FONAPRAM provides 36 per cent of the loan as interest-free credit repayable over four years, and banks provide 60 per cent of the loan at 10 per cent interest repayable over seven years. For loans from D 10,000 to D 50,000, the client share totals 8 per cent of the loan, which is deducted from the share of FONAPRAM. Data for 1996 indicate that 1,034 proposals were submitted, and 325 enterprises were given credit; this is estimated to have led to the creation of 973 jobs, or an average of three per enterprise.

Though women are explicitly targeted, during the period 1982-1994 females accounted for only around 15 per cent (2,094) of all beneficiaries, with a share of 16.5 per cent of the total credit issued. Female beneficiaries are located mainly in the north-eastern and, to a lesser extent, the central-eastern areas of Tunisia. Around 54 per cent of the female enterprises are involved in small-scale (mainly textile-related) production, 42 per cent provide services, and the rest focus on handicrafts (economic activities predominantly based on traditional female skills).

Fonds de Solidarité Nationale

The general objective of the Fonds de Solidarité Nationale (FSN), established in 1993, is to contribute to poverty alleviation through the mobilization of donations from various public and private sources. To this end, a bank account was set up (No. 2626) into which the general public may contribute tax-deductible donations. The Fund is also supported by foreign donations and public endowments.

One intervention of the FSN is investment in designated disadvantaged regions and the provision of basic infrastructure and services. The FSN also provides credit to promote income-generating activities and focuses on improving the living conditions of rural women in particular. To be eligible for credit, potential beneficiaries must reside in designated disadvantaged regions/areas and must not have benefited previously from other credit programmes.

The (interest-free) credit ceiling is D 2,700, to which is added a grant of D 300. The latest available data indicate that 40 per cent of beneficiaries are female, and that credit is used for new enterprise creation or for the support of existing enterprises involving the use of traditional female skills such as carpet weaving, dressmaking, knitting and horticulture. To date, some 31,000 borrowers have received loans for micro-enterprises.

Office National de L'Artisanat

The Office National de l'Artisanat (ONA) was established in the 1960s with the objective of supporting handicraft enterprises. Eligibility criteria include the existence of a registered viable enterprise. There is no explicit targeting of female entrepreneurs, though it is estimated that 63 per cent of beneficiaries are female.

The credit ceiling is D 2,000; 3 per cent interest is charged on the loan, which is repayable in six-month intervals over a period of four years. The ONA has offices in all governorates, thus facilitating the access of potential beneficiaries. It supports clients by providing pertinent information and ensures the marketability of products through the application of a system of quality control. By 1992, it was estimated that 15 per cent of the target population of around 27,000 had been reached; most of the beneficiaries had been involved in carpet weaving and traditional embroidery.

ONA has its own training centres offering one-year courses in which women can learn basic handicraft skills. Unlike other training centres, such as those of the Programme Régional de Développement (PRD) or the Centres de Formation de la Jeune Fille Rurale (CFJFR), the ONA centres offer no general education or pertinent agricultural education/training.

Programme Régional de Développement

The Programme Régional de Développement (PRD) was established in 1987 through the amalgamation of a number of existing employment creation programmes. It specifically targets unemployed rural youth and, to date, the beneficiaries involved in agricultural production enterprises have been exclusiveley male. Fishermen are also targeted. Eligibility is limited to unemployed rural youth actively seeking employment with an annual income of less than D 1,500. The credit ceiling is D 3,000; 10 per cent is supplied in the form of a grant, and the rest is an interest-free bank loan repayable over four years.

The PDR also supports handicraft micro-enterprises, and in this, mainly young rural unemployed women are targeted. These women are eligible for interest-free credit of up to D 2,700 repayable over six years. By 1991, 50,200 beneficiaries, 25 per cent of which were female, had received credit via the PDR. In 1993, 5,013 young women received training in handicrafts, and around 2,168 women are estimated to have become involved in some form of self-employment (mainly one-person-owned/-operated enterprises), though there are no data available on the sustainability of these economic activities.

Programme de Développement Rural Intégré

Established in 1984, the Programme de Développement Rural Intégré (PDRI) has three main objectives: skill development, employment creation and the improvement of basic infrastructure in disadvantaged rural regions.

Credit for the agricultural projects of small rural entrepreneurs who have not previously had access to loans is channelled through the Fonds de Développement

Rural Intégré (FODERI) to contribute to employment creation. Eligibility criteria include an age range of 20-55 years and appropriate professional qualifications; these criteria are applicable to both genders.

The maximum loan is D 10,000. The client share is 10 per cent of the credit sum; 30 per cent is a grant subsidized by the Government and the rest (60 per cent) is a bank loan provided at 6 per cent interest (also subsidized by the Government). Beneficiaries are given a two-year grace period and must repay the bank loan within seven years. There is no explicit targeting of women. Of the 770 micro-enterprises established by 1993, only 3 per cent were run by female beneficiaries.

Programme de Développement Urbain Intégré

Established in 1993, the Programme de Développement Urbain Intégré (PDUI) focuses on improving living conditions in marginalized urban areas through employment creation and basic infrastructure provision. It provides technical assistance and training in cooperation with other employment creation interventions.

The PDUI programme includes an explicit component targeting women; the aim is to promote female micro-enterprises by facilitating access to credit (a maximum of D 3,000) through the services of FONAPRAM and similar agencies providing credit facilities. During the period 1993-1998, the PDUI reached some 30 marginalized urban areas/quarters. Data for 1996 indicate that the PDUI approved/financed 35 micro-enterprises after having considered a total of 57 project proposals, creating employment for 66 persons. It is estimated that the outreach of PDUI in terms of targeting women is around 15 per cent of potential clients, and that the repayment rate does not exceed 50 per cent.

2. *Micro-enterprise support*

Agence Tunisienne de l'Emploi

The Agence Tunisienne de l'Emploi (ATE) is part of the Ministère de la Formation Professionnelle et de l'Emploi. One of the objectives of the ATE is to promote self-employment and contribute to micro-enterprise development through the Unité de la Promotion de la Micro Entreprise (UPME), a network of 72 bureaux in all governorates.

The UPME collects relevant data in the pertinent regions/areas, supervises the promotion of micro-enterprise activities, evaluates the viability of proposed projects, carries out technical feasibility studies, helps clients with the formalities related to registration and other such concerns, and follows up the implementation process. Support is also provided to ensure that clients receive the necessary training and access to credit. The latter is facilitated through coordination between the ATE and governmental/non-governmental organizations such as the BTS, FONAPRAM, FSN, FTSS, PDR, PRDI, PDUI and UTSS. Since 1991, credit for specific purposes (for example, to cover the operational costs of a micro-enterprise) has been available through the Fonds d'Insertion et d'Adaptation Professionnelle. This Fund also covers the training costs of job-seekers as part of its efforts to promote employment, including that deriving from micro-enterprises. Micro-entrepreneurs wishing to gain access to credit facilities in these agencies are obliged to prove that their projects have been reviewed by the ATE/UPME by presenting the dossier containing all of the legal papers the ATE/UPME has helped the client put together.

Though there is no explicit targeting of women, the ATE recognizes the gender-specific constraints affecting existing and potential female micro-enterpreneurs. To this end, the ATE currently involved in raising public awareness about this concern and developing specific interventions, including workshops and other awareness-raising activities.

Centres de Formation de la Jeune Fille Rurale

The Centres de Formation de la Jeune Fille Rurale (CFJFR) are part of a network of around 86 training centres run by the Agence Tunisienne de la Formation Professionnelle (ATFP), and these centres are part of the Ministère de la Formation Professionnelle et de l'Emploi.

The CFJFR targets young rural girls 12-18 years of age, in particular school drop-outs. The one-year training course focuses on imparting non-farm skills in order to enable female beneficiaries to gain access to the labour market or to start their own micro-enterprises. However, training concentrates mainly on traditional female rural skills, reflecting the fact that the potential of the rural market and employment opportunities in the rural sector have not been sufficiently addressed. Female trainees comprise an estimated 27 per cent of the ATFP total. Though enrolment by type of training course is gender stereotypical, female trainees are also enrolling in such courses as maintenance and graphic arts.

Chambre Nationale des Femmes Chefs d'Entreprises

Established in 1990, the Chambre Nationale des Femmes Chefs d'Entreprises (CNFCE) is part of the Union Tunisienne de l'Industrie et du Commerce et de l'Artisanat and is a member of the World Association of Female Entrepreneurs. The objectives of the CNFCE include promoting women's social and economic role by providing support and relevant information to female heads of enterprises, representing members' interests and defending their rights, documenting the development of female-owned enterprises, organizing lectures and reunions, networking through a newsletter, and encouraging members to join and become active in syndicates. The CNFCE has offices in various governorates in Tunisia.

Of the estimated 3,000 registered female heads of (non-agricultural) enterprises of varying sizes and employing varying numbers of workers in Tunisia, 500 are members of the CNFCE. Data for 1995 indicate that around a third of CNFCE members are active in textile production, with services, commerce and import-export ranked next. The number of female-headed enterprises is much higher if informal sector (non-registered) enterprises are taken into account.

Centre de Recherches, d'Etudes, de Documentation et d'Information sur la Femme

The Centre de Recherches, d'Etudes, de Documentation et d'Information sur la Femme (CREDIF), established in 1990 and formally recognized by government decree in 1992, is part of the Ministère des Affaires de la Femme et de la Famille.

As its title indicates, CREDIF focuses on researching and documenting information and data on women in Tunisia and advocating improvement of their social, economic and legal status. This is achieved through, among other things, the organization of training courses and meetings and the publication of studies and a regular journal (thrice yearly). Special emphasis is placed on training and research for the empowerment of women.

Ministère des Affaires de la Femme et de la Famille

In 1992, the post of Secretary of State in Charge of Women's Affairs was formally established, and out of this evolved the Ministère des Affaires de la Femme et de la Famille in 1993. The Ministry contributes to the formulation of government policies and programmes geared towards strengthening Tunisian women's social, economic and legal status. It acts as a coordinator between the different government agencies whose programmes are of direct relevance to women.

The Ministry's focus on promoting women's economic role is manifested in its support of female enterprise activities and its coordination with governmental agencies and NGOs active in this field. For example, it has recently provided funding to ENDA Inter-Arabe, an NGO supporting female micro-enterprise activities (see below).

B. NON-GOVERNMENTAL ORGANIZATIONS*

Association pour la Promotion de l'Emploi et du Logement

Established in 1972, the Association pour la Promotion de l'Emploi et du Logement (APEL) is one of the oldest NGOs active in rural Tunisia. In 1980 it was formally recognized by government decree as an organization contributing to national development. APEL focuses its activities on supporting rural development, especially

* In reality, some organizations formally defined as non-governmental associations are partly supported by public sector funds that are used primarily for providing subsidized credit and grants to micro-enterprises.

in the north-east of the country. Since APEL was established, its development interventions and activities have evolved to reflect a participatory, integrated approach, particularly in terms of project formulation and implementation and the Association's support of and work with local organizations. Providing credit facilities is an important part of the interventions developed by APEL to improve living conditions in these areas.

Until 1994, it was the policy of APEL to provide credit in kind or in cash, with flexible loan and grace periods, no interest charged and no guarantee requirement. Credit was only furnished for agricultural projects supportive of the general development objectives in the region, and each beneficiary had to reside in the area in which his or her project was implemented. Repayment was effected via the Cooperative for Agricultural Services (established by APEL).

Weaknesses in the credit delivery system (confusion between credit and subsidy, the lack of regular follow-up and low repayment rates) led APEL to review its credit policy. Access to credit is now based on project viability. In-kind credit (up to D 3,500) is provided at 6 per cent interest, and a one- to two-year grace period is granted, depending on the project. A feasibility study is required, and APEL and the client sign a formal contract. Regular repayment ensures access to higher amounts. Target beneficiaries are heads of households and youth, regardless of gender. Recent data indicate that by the mid-1990s, around half of the beneficiaries receiving credit were female, though their loans were, on average, half the size of those issued to male beneficiaries.

Association de Soutien à l'Auto-Développement

Established in 1988, the Association de Soutien à l'Auto-Développement (ASAD) is an NGO supporting poor/low-income families, with a special focus on women. An example of its targeting of female beneficiaries is a project in the Ouslatia/Kairouan Governorate supporting female carpet weavers who have no access to formal credit facilities; this project is designed to upgrade their skills and improve the marketability of their products.

To date, 120 female beneficiaries have been supported with loans of between D 200 and D 500 at 6 per cent interest, repayable over three years at two-month intervals. The client share is D 20. While no collateral is required, beneficiaries do sign a formal contract with ASAD. The latest available figures indicate a repayment rate of around 80 per cent. The credit ceiling is calculated on the basis of raw material and equipment costs and on the support required to the marketing of products (including, for example, the cost of transportation).

Environnement et Développement dans le Monde Arabe

Environnement et Développement dans le Monde Arabe (ENDA Inter-Arabe) is an NGO that was established in Tunisia in 1990. It is part of ENDA Third World, established in Dakkar in 1967.

One particular focus of ENDA Inter-Arabe's development interventions is a marginalized urban area known as Ettadhamen, located in the capital, Tunis. Specific activities include the provision of a space for male and female youth to become involved in community activities (ESPACE 21) and, since 1994, the provision of credit facilities and the promotion of micro-enterprises. Initially, the beneficiaries targeted for credit and micro-enterprise development were exclusively female, with special consideration given to female-headed households. Recently, however, male beneficiaries have been given access to credit facilities in recognition of the need to address the problem of male poverty in Ettadhamen.

To be eligible for credit, potential beneficiaries must be at least 20 years of age and must have experience and motivation, personal involvement in the micro-enterprise (financial or in kind), and no access to formal bank credit. They are required to sign a formal contract with ENDA and the local authorities and to become part of a savings scheme as a condition of future access to credit. Loan size ranges between D 200 and D 2,000, averaging D 550. The repayment period is between 3 and 12 months, depending on the client's capacity and the nature of the enterprise, and a grace period of two weeks is granted. The interest rate is 19 per cent, covering the organization's transaction costs and overhead and contributing to project sustainability. Female beneficiaries of the ENDA credit facilities are supported through illiteracy classes and training to acquire business skills as part of an explicit strategy of empowerment. Female micro-enterprises concentrate primarily on commercial activities (73 per cent), followed by production (22 per cent) and services (5 per cent). A similar trend is discernible with regard to male-owned/-operated micro-enterprises: most are involved in commercial activities (66 per cent), with the rest almost equally distributed between production (15 per cent) and services (18 per cent). To date, 722 of the 819 beneficiaries who have received credit are active clients; male beneficiaries comprise 48 per cent of the latter. Over two thirds of female beneficiaries are married, with an average of three children, but the husband's financial support of the household is limited. Around 37 per cent of female beneficiaries are illiterate.

Fédération de Tunis de Solidarité Sociale

Established at the beginning of this century, the Fédération de Tunis de Solidarité Sociale (FTSS) carries out its poverty alleviation interventions in the Tunis Governorate, targeting poor/low-income families. Unemployed male and female youth with formal qualifications are also a special focus of FTSS activities, with particular attention given to employment creation through the provision of access to credit facilities and other supportive interventions such as training. The FTSS also supports poor urban families with a one-time interest-free loan of D 3,500.

FTSS essentially functions as an intermediary between clients and credit facilities, including FONAPRAM and designated banks. The latter provide 60 per cent of the loan, with the FTSS assuming 50 per cent of the risk. Repayment is within seven years; a grace period of one year is offered and an interest rate of 10 per cent applies. The rest of the loan is interest-free (government subsidized). The FTSS provides clients with micro-enterprise support in collaboration with the ATE.

The FTSS explicitly targets female beneficiaries, supporting them in the establishment of micro-enterprises by facilitating their access to credit and training and providing them with technical assistance for product improvement. Of the 185 income-generating activities supported by the FTSS up to 1994, around 50 per cent were female-owned-operated. Data for 1996 indicate that around 25 per cent of the 120 female beneficiaries received loans of D 3,500; for the rest, the loans averaged D 300-D 400. The credit ceiling for income-generating activities is D 2,500.

Data for January 1998 indicate that most of the 61 beneficiaries who received credit via the FTSS were males (first names were taken as an indication of gender), involved in micro-enterprises based on typical male economic activities such as plumbing, shoe repair and auto mechanic work. By contrast, female-owned/-operated micro-enterprises focused on typical female activities such as carpet production and dressmaking. Loans for female beneficiaries generally average D 3,000, while the average for male beneficiaries is D 5,000.

Fondation El Kef pour le Développement Régional

The Fondation El Kef pour le Développement Régional (FEKDR) is an NGO executing a project funded by the United Nations Population Fund (UNFPA) in Bir Heddi in the north-western Kef Governorate. This three-year project employs an integrated development approach and seeks to link the promotion of women's health with the improvement of their economic status as part of a broader poverty alleviation programme.

Women in 135 low-income rural households have been targeted through a number of interventions; access to credit facilities has been provided in recognition of the reality that it is generally men who have access to agricultural loans. Female beneficiaries are eligible for interest-free loans that include a 20 per cent grant element; no physical collateral is required. Loans are mainly for livestock production, though some have been provided for the purchase of agricultural equipment. Loan size varies according to the type of livestock involved, amounting to a maximum of D 600; for the purchase of agricultural equipment, the loan ceiling is D 830. The project also subsidizes the cost of livestock fodder. The repayment rate up to June 1997 averaged 85.6 per cent, though around 38 per cent of female beneficiaries had only managed to repay 30 per cent of their loans. Variations reflect a combination of productivity and circumstances characterizing a female beneficiary's particular location.

An evaluation of this project in October 1997 revealed the influence of the female beneficiaries' husbands and highlighted the importance of targeting the women during the needs-assessment phase. However, there were also indications that the women concerned had achieved a greater say in decisions concerning the sale of livestock and the use of profits.

Union Tunisienne de Solidarité Sociale

The Comité National de Solidarité Sociale, established in 1964 as part of the Ministry of Social Affairs, was renamed the Union Tunisienne de Solidarité Sociale (UTSS) in 1988 and was accorded the status of an independent association. Its objective is to alleviate poverty in all regions in Tunisia, with needy families as an entry point for interventions. Special (and increasing) attention is being given to women in general and to young women in particular, in view of their role in preserving family life.

Since 1992, the UTSS has made a special effort to promote and support rural and urban micro-enterprises, focusing on improving competitiveness, sustainability, and product marketability. There is no specific targeting of existing or potential female entrepreneur. The UTSS has moved away from a grant-only system and now provides loans that are half grant and half interest-free credit. Loan size ranges from D 680 to D 2,250 (the average for the period 1992-1995).

Of the 714 micro-enterprises supported by the UTSS since 1992, 92 have been individual enterprises. Data for 1996 indicate that of the 79 projects proposed, the UTSS approved and provided support for 38, and these projects have generated 91 employment opportunities, or an average of three jobs per micro-enterprise. No data are available on the share of female beneficiaries.

Annex III

OVERVIEW OF SELECTED MICROCREDIT LENDING FACILITIES IN YEMEN*

A. GOVERNMENTAL ORGANIZATIONS INVOLVED IN MICROCREDIT FINANCE

Agricultural Development Project in the Southern Highlands

The Agricultural Development Project in the Southern Highlands (ADPSH) focuses specifically on the Taiz and Ibb governorates, where 13 rural areas are presently covered. It has a mandate to support poverty alleviation interventions in the agricultural sector, to which end it coordinates activities with agricultural cooperatives and other rural associations. In 1997 the ADPSH started a microcredit programme component, with financial support provided by the Fund for the Promotion of Agriculture and Fishery Production (FPAFP). Allocations for 1997 were 6 million Yemeni rials (YRls) (around US$ 43,480), and by 1998 funding had doubled to YRls 12 million (around US$ 86,960).[1] The microcredit programme component, officially referred to as the Project for Household-Based Livestock Production, is part of a package of interventions aimed at improving the livelihoods of rural households, including agricultural extension, the promotion of kitchen gardens for fruit/vegetable production, illiteracy eradication and nutrition/hygiene education.

Though both genders are targeted, rural women from very poor households are accorded priority. Some 127 rural households were reached in 1997; 116 (91 per cent) of these are assumed to be headed by females, since the contracts were signed with them. The target for 1998 was 250 rural households comprising around 1,750 members. Loans range from YRls 30,000-YRls 100,000 (around US$ 215-US$ 725), averaging YRls 50,000 (around US$ 360). The client share for both male and female borrowers is 20 per cent; 40 per cent of the loan is furnished in the form of a grant, while the other 40 per cent is interest-free credit. In terms of collateral, a differentiation is made between male and female borrowers, in view of the latter's limited physical assets. This is a new project, so no repayments have yet been made.

* Information on selected microcredit facilities and organizations supporting micro-enterprise development is scattered. The data used here have been compiled from different sources (see selected Arabic and non-Arabic references on Yemen) and incorporate additional written/oral information collected by the resource person for Yemen. Though no claim is made regarding the data's accuracy, they are deemed to provide some insight into microcredit finance facilities and micro-enterprise development in Yemen.

[1] US$ 1 = YRls 138.

Cooperative and Agricultural Credit Bank

The Cooperative and Agricultural Credit Bank (CACB) was established in 1982 through the amalgamation of two banks established during the 1970s. The objective of the CACB, which has some 30 branches in all governorates in Yemen, is to support both individual and group-based agriculture- and fishery-related micro-enterprise projects and to promote agricultural cooperatives and the agriculture and fishery sectors in general. To date, CACB funding has relied on two sources: it has its own capital plus reserves plus profits, amounting to 15.4 per cent of the total; the remaining resources come from local funding (such as that provided by the Ministry of Planning and Development and the Ministry of Finance), as well as funding by donors such as the International Fund for Agricultural Development (IFAD) and the Arab Fund for Economic and Social Development (AFESD).

CACB documentation indicates that both rural men and rural women are explicitly targeted, especially the poor among them. From 1982 to mid-1998, some 148,000 beneficiaries (involved in agriculture and fishery activities) had access to microcredit. From 1992 to mid-1998, 1,162 female borrowers were reached. Short-term credit is provided specifically to cover working capital needs related to agricultural production (such as the cost of seeds, fertilizer and spare parts) and for boats and other equipment required for fishing, on which 7 per cent interest is charged. Repayment is required within 1.5 years. Short-term borrowers have to fill out loan application forms and provide documentation relevant to the operation of existing enterprises. Farmers who have previously been given loans or who are requesting loans not exceeding YRls 50,000 (around US$ 360) are exempted from a survey of their economic activities prior to the issuance of credit. The collateral requirement for loans of up to US$ 360 is the borrower's own financial guarantee or property; for larger loans both types of guarantee are required.

Medium- and longer-term loans are generally provided for infrastructure development (irrigation, wells, dams and so on); for agricultural machinery/equipment; for poultry farms and livestock production; for dairy farms, nurseries and bee-keeping; and for investment in fishing boats/equipment. The interest charged on medium-term loans (repayable within seven years) is 9 per cent, while the interest rate for longer-term loans (repayable within 10 years) is 10 per cent. The client share is 20 per cent of the requested credit sum. Both types of loans are subject to a project feasibility study, and borrowers must provide invoices for the purchase of machinery and/or other inputs for which the loans are requested. Neither of these two types of loans can exceed 60 per cent of the total value of the enterprise. The collateral required for these types of credit includes land, property titles and the like, as well as a personal guarantor and a written guarantee from an appropriate governmental agency.

Fund for the Promotion of Agricultural and Fishery Production

Formally established in 1993, the FPAFP began its activities in 1995. One of its objectives is to improve the incomes of poor rural families by providing them with access to the inputs necessary for crop, livestock and fishery production. FPAFP activities are funded through a sales tax on diesel oil (1 YRl/per litre).

Part of the FPAFP strategy for addressing rural poverty is the provision of credit to cooperatives, groups and individuals. A 30 per cent client share is generally required; (for individuals the client share is 20 per cent, and the grant and interest-free loan elements are each 40 per cent). There is no repeat access to credit or mandatory savings requirement. No collateral is needed, except for the signature of two guarantors from the same village. For individual loans, the FPAFP targets heads of poor rural households, irrespective of gender (available data on borrowers are not disaggregated by sex). Beneficiaries are identified in coordination with the Ministry of Agriculture and Irrigation.

Credit is provided for the support of crop/livestock production, marketing and irrigation. No information is accessible on loan size, other than that it apparently depends on the type of project and period of implementation. Loans over YRls 1 million (around US$ 7,250) are subject to a feasibility study.

Available data indicate that during the agricultural seasons from 1995/96 to 1997/98, a total of 16,545 cotton farmers in five governorates received loans totalling YRls 555 million. Credit for livestock production is in kind; 40 per cent is provided as a grant and the rest as an interest-free loan. During 1997, 240 farmers in five governorates were given credit totalling YRls 15.4 million. Fishery production is supported through the provision of credit for the purchase of boats, nets and other equipment. By 1997, some 3,680 households involved in fishery production had received credit, and during 1997, some 240 livestock producers in five governorates were given loans. YRls 100 million (around US$ 724,640) was allocated to extend the activities of this pilot project to an additional 2,500 families in 1998. The FPAFP does not have any unit/staff to follow up the enterprises funded through its microcredit programme.

Programme for Productive Families and Community Development of the Ministry of Insurance and Social Affairs

The Programme for Productive Families and Community Development (PPFCD), established in 1988, falls under the auspices of the Ministry of Insurance and Social Affairs. More specifically, the Ministry's General Administration for Productive Families and Community Development is in charge of implementing this programme component through the Centers for Productive Families and Community Development (CPFCD). The PPFCD aim is to facilitate the shift away from a welfare approach to poverty alleviation to a strategy that focuses on developing the labour productivity and income-earning capabilities of the poor. To this end, its programme components include providing training in small industries/handicrafts and assisting trainees in securing employment, supporting income-generating activities by furnishing access to microcredit, and facilitating beneficiaries' access to markets.

The PPFCD has established and equipped a number of training centres with funding from different sources, including the Kuwait Fund for Arab Economic Development, UNFPA, Dutch, and Canadian and Japanese bilateral aid. The UNFPA-supported programme component specifically targets women, who are trained at six centres. Available/accessible data indicate that during the period 1992-1997, some 4,754 women received training through the CPFCD. There are indications that enrolment is much higher, but that drop-out rates are also relatively high. As far as could be ascertained, the microcredit and income-generating component has not (yet) been implemented, nor has the General Administration initiated cooperation with other institutions or organizations through which trainees could secure access to microcredit.

Small Enterprise Development Unit at the Industrial Bank of Yemen

The Small Enterprise Development Unit (SEDU) was established in 1990 as a pilot project, with funding support from the United Nations Capital Development Fund (UNCDF), and began its activities in 1991. Initially operating under the auspices of the Industrial Bank of Yemen, it has since become semi-autonomous and now falls under the jurisdiction of the Ministry of Industry (though the link with the Bank remains). SEDU is funded by the United Nations Development Programme (US$ 2 million) and Dutch bilateral development aid (US$ 2.5 million in the form of technical assistance, US$ 500,000 of which is allocated to the first project phase), with a contribution by the Government of Yemen (YRls 5.8 million, or around US$ 42,000). To date, the Unit's activities are concentrated in the capital, Sana'a, and in Hodeida.

SEDU is one of the first agencies in Yemen to focus on credit for micro- and small-scale enterprise development. Priority is given to loan applications for projects that contribute to employment creation, use locally available raw materials and inputs, and support the policy of import substitution. Both existing and new micro-enterprises are eligible for loans; around 33 per cent of the loans approved to date have been for the establishment of new enterprises.

There is an explicit policy of targeting women, through training and providing access to loans. Special priority is given to poor, marginalized female population groups (such as the *akhdam*, for example). Loans are for individual borrowers only. By 1997, SEDU had approved 963 loans, and the Unit estimates that its credit facility has contributed to the creation of some 4,060 jobs. Loan size varies, ranging from YRls 147,000 (around US$ 1,000) to YRls 684,000 (around US$ 5,000), with small loans varying from YRl 33,000 (around US$ 240) to YRls 79,000 (around US$ 580), and averaging YRls 50,000 (around US$ 360). Small loans require a personal guarantor; larger loans require collateral (real estate) and have a 16-18 per cent interest rate. Repayment depends on loan size and the type of enterprise, but generally ranges from two to four years. Each loan approval is subject to a feasibility study, the cost of which is generally borne by the borrower.

Social Fund for Development

Established in 1997, the Social Fund for Development (SFD) reports directly to the Prime Minister. Aiming to cover all governorates in Yemen, the SFD has three main programme components: community development, capacity building and support for micro-enterprise development through access to microcredit. To this end, it has secured funding for five years, amounting to US$ 80 million, from the World Bank, the European Union (EU), Netherlands Development Assistance, the Organization of Petroleum Exporting Countries (OPEC) and AFESD. The funding comprises a combination of grants and loans.

The strategy pursued in respect of the programme component supporting micro-enterprise development, with the aim of employment creation and income generation, is to identify financial intermediaries (such as local NGOs, community, village and business associations, and cooperatives) so that micro-enterprises can be targeted and provided with access to loans. Small-scale enterprises are served via the formal banking sector.

By the end of 1997, the SFD had approved 50 projects worth a total of YRls 461 million, with coverage extending to most of the governorates. The choice of governorates is largely influenced by such factors as the type and size of the project proposed, the availability of pertinent information, and potential beneficiaries' participation. Some of these projects, including several relating to micro-enterprise development support, have been completed, while others are under implementation.

The micro-enterprise support component has so far received around YRls 129 million (28 per cent of the allocated funds); to date, YRls 18,750,000 (around US$ 135,870) of this amount has been allocated for small loans of unspecified size. The projects approved in 1997 are largely concentrated in the Hodeida Governorate, with a number of NGOs functioning as intermediaries. Credit is not subsidized; interest rates are calculated to include transaction and overhead costs. Collateral requirements vary, depending on the type of project (community/group or individual); for individual projects, personal guarantors are required. There is no savings component, mandatory or otherwise, owing to current regulations that prevent local organizations from functioning as depositories for savings. Both poor men and poor women are explicitly targeted by the SFD for micro-enterprise development. Available/accessible data indicate that, to date, of the 7,670 to be targeted, 2,373 (31 per cent) have been reached.

B. NON-GOVERNMENTAL ORGANIZATIONS

Adventist Development and Relief Agency

The Adventist Development and Relief Agency (ADRA), whose main office is in Canada, began its development interventions in Yemen in 1995 with a child immunization project, focusing on the Hodeida Governorate. In 1996 it added a women's component to its programme, concentrating on three districts (Hais, Khokha and Jabal Ras) in Hodeida. This component is based on a four-part strategy reflecting an integrated approach to development and includes the provision of health education and literacy to improve women's self-awareness and well-being, the establishment of women's groups with the aim of forming village banks to provide access to credit, the introduction of the concept of saving to encourage women to mobilize financial resources and reduce dependence on external donors, and the provision of microcredit for micro-enterprise development. To date, 1,352 poor women have been reached; 54 per cent of them have been given access to credit, with loans ranging from YRls 9,000 (around US$ 65) to YRls 40,000 (US$ 290).

The Agency's other programme interventions are financed by a diverse group of donors: the United States Agency for International Development (USAID) funds the child immunization programme; ADRA/Canada funds the health awareness project; Netherlands Development Assistance funds the small pharmacy project; and the SFD has given ADRA US$ 236,749 for its women's programme in the Hodeida Governorate.

Social Organization for Family Development

Established in 1990, the Social Organization for Family Development (SOFD) pursues the objective of poverty alleviation, directing its activities specifically at marginalized groups and areas in the capital, Sana'a. It is largely funded by private donations and receives some government support through the Ministry of Pensions and Social Affairs.

Though SOFD targets both genders, priority is given to women. SOFD supports female income-generating activities, acting as an intermediary between beneficiaries and microcredit finance facilities. It is the latter that decide on the viability of a proposed project. SOFD offers some support to borrowers, but generally does not follow up on project implementation (owing to funding and staff limitations). Loans are disbursed to inviduals and for group enterprise activities. Since May 1996, 114 female beneficiaries have been targeted, with loans averaging YRls 20,000-YRls 40,000 (around US$ 145-US$ 290); the client share is 20 per cent, the grant element is 40 per cent, and interest-free credit comprises the remaining 40 per cent. There is no savings component in the SOFD programme.

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