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WOMEN AND MICROCREDIT IN ERITREA



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SHARING _____ _____ TRUST

Women and Microcredit in Eritrea

Francesca Zamperetti
and
Giovanna Franca Dalla Costa

Translated by
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INTRODUCTION

It is a widespread opinion that the policies of development aid have, over the past 20 years, produced somewhat debatable results (CENSIS 1992, p. 13). The gap between rich and poor countries is visible to all: not only a profound inequality of incomes, but also structural, social and political inequalities condemn a growing number of people to poverty. During the meetings of the World Food Summit: Five Years Later, organized by FAO (Food and Agricultural Organization of the UN) at Rome in June 10-13, 2002, it became clear that the struggle against world hunger was progressing too slowly. The goal, set at the World Food Summit in 1996, and confirmed in 2000 at the United Nations Millennium Summit with the Millennium Declaration (United Nations 2000c), of reducing by half the population suffering from hunger by the year 2015 (FAO Headquarters, 2002) cannot be reached maintaining current trends. The criticisms directed at many programs of international cooperation (programs that have done more to aid the elites of poor countries and the businesses of rich countries than the beneficiary populations) have led to a serious rethinking of policies and strategies. Confronted by the failure of projects oriented around large-scale works in "underdeveloped" countries, and by the limits of many assistance programs, the Agencies for Cooperation and Non-Governmental Organizations (NGOs) have shifted attention to concentrating on "micro" initiatives in investment of money, based upon local points of view, and tending toward control and

sustainability on the part of the population that benefits from them. Further, development perspectives oriented toward promotion of human development, are increasingly finding support, including concern for social indicators that go beyond the traditional economic indicators.

It is no longer possible to ignore the demands brought forward by movements and organizations for a dignified development strategy. The 1980s and 1990s saw many struggles against impoverishment directed against distorted development policies, for the right to subsistence and for respect for human rights. These included struggles for a community's right to set its own development path, diverse from capitalist development, making social reproduction central and visible, and posing the conditions of life of individuals not merely as one of the availability of resources, but as safeguarding indispensable requisites for maintaining the life cycle.

In 1990, the United Nations Development Program issued the now well-known first Human Development Report (UNDP, 1990). This affirmed that economic growth is not synonymous with development when the latter is understood as well being and promotion of persons, and that there is no simple correlation between economic growth and human progress. It proposed a Human Development Index (HDI) as a composite index for measuring development as a process of enlarging people's choices. Enlarging people choices is achieved by expanding human capabilities and functionings. At all levels of development the three essential capabilities for human development are for people to lead long and healthy lives, to be knowledgeable and to have a decent standard of living.

Other reports have been produced annually on questions ranging from Financing Human Development, to People's Participation, to Human Development to Eradicate Poverty, to Globalization with a Human Face, to Human Rights and Human Development, to Deepening Democracy in a Fragmented World.

In particular, starting in 1995, with the report devoted to the theme of Gender and Human Development, two new indices were created for measuring the level of development of countries based upon the life conditions of women: The Gender-related Development Index (GDI)¹, and the Gender Empowerment Measure (GEM)². Integrating the contributions of the debate on the subalternity of women developed by the feminist movement in the 1970s, gender differences are recognized as iniquitous conditions of life for female subjects and also as disadvantageous for achieving human development.

Based on these theoretical insights, and seeking new responses to the demands of various social subjects, development initiatives have focused increasingly on the role of women, in the knowledge that this role involves the well being of the entire community. Microcredit proposals have, for this reason, proven ever more interesting to as a means of promoting locally-oriented development and greater gender equality as a prerequisite for sustainability. Even the UNDP strongly proposes microcredit as vehicle for improving people's conditions, beginning with women, even before achievement of adequate levels of income.

It is undoubtedly the case that we are seeing a rethinking at the international level of the concept of development itself around the three themes of underdevelopment indicators, microfinance, and gender. These three themes are also the starting point for this work inasmuch as it concerns a specific case study: namely microcredit programs in an African country, Eritrea. This country recently ended a thirty-year war of liberation and is involved in an extraordinary moment of constructing its own national identity. Committed to microfinance initiatives, it is witnessing an active participation of women in the process of reconstruction. It is also a country with a strong sense of its history and culture: it suffices to mention the how the Tigrin language was defended, and spoken by the people as a form of resistance to violent attempts to eliminate it by various political regimes.

In this work we seek first of all to understand whether microcredit can play a leading role in the struggle against poverty and if it can become a useful tool for confronting the problems of postwar crisis. We sought to identify benefits and incongruities, and what difficulties arose in carrying out such programs, particularly in a society regulated by ancient norms and traditional ways of life. We further sought to understand the various strategies used by diverse actors, such as operators and users of programs, to deal with problems and improve the potential of the programs themselves.

With these goals in mind, we chose to describe the "tool" of microcredit valorizing in particular the point of view of the users, shedding light on their living conditions and emphasizing these more than the financial or banking aspects. We sought in studying the social approach to problems suggestions that might lead to new methodologies or formulations that would be more favorable to the needs of ordinary people. The brief sections on Eritrean history and society, which precede the field research, are not intended to be a general profile of the country. We wanted only to provide the non-Eritrean reader with the national context in which the microcredit programs are being developed, enabling those unfamiliar with the country to form their own hypotheses, reflect in an informed way and to read critically. They are merely short notes on a country with a very ancient history and which has covered some of that journey in common with our own country of Italy. They are best seen as images meant to stimulate a participant-reader, to develop a shared emotional understanding of a country that, while never asleep, is living through a continuously painful waking life. A country that is engaged in gigantic efforts to "feel" itself as an international presence.

The part of this book dedicated to theory and debates deals with open questions, criticisms and consensus, and the various approaches of the experts regarding the content and methods of a topic that is still in formation. The ample space reserved to

other authors' comments, with an ample bibliography, varying analytical approaches, evaluation methods, is intended to make the book more useful also for classroom use.

The research on Eritrea was carried out in 2000 and 2001. Interviews were held with the institutional directors of the micro-credit programs, with outside observers and evaluators of the UN, with all of the program coordinators and field agents as operators in direct contact with clients and with clients themselves. Women clients were chosen not only because these are considered a target group by microcredit programs, but for the role that they have, as noted above, in the development process and in the struggle against poverty. The Eritrean women interviewed as clients of the programs were encountered partly in the capital city of Asmara, where the central offices of all the programs are located, partly in other towns in Maekel Region, and in Debub, Gash-Barka and Northern Red Sea regions. The research conducted on expert opinions and on the views of outside observers was intended to obtain a different point of view less internal to the programs themselves, from agents involved in social development.

The semi-structured interviews proved to be more useful for qualitative approach, less restrictive for the subjects interviewed. They provided an adequate space for aspects that were considered important by the interviewees. They were intended as a free space for expression, even if based on a pre-designed interview schedule, and showed themselves to be an opportune method to communicate in a different way, with different priorities, spaces, times, emotions and perceptions. All of the interviews with the women were conducted using the same set of questions, were recorded with the informed consent of the interviewee, and then transcribed. We cannot exclude that the presence of a translator, beyond that of a field agent, may have introduced some moments of "prudence" in the responses of some of the program clients. In balance however, we concluded that we had been able to gain useful information because of the trusting and almost familiar

relationship between clients and field agents. This relationship does not show any signs of fear or trepidation. We also concluded that we had achieved solid research on the factual aspects of the responses as we had the opportunity to see directly the interviewees' families, the real conditions of their small businesses, their working life, forms of transport and bookkeeping methods.

The interviews took about an hour on average, though times differed from case to case, to which other time factors should be added such as transportation means, road conditions etc. In addition, visiting a client's business, checking a client's books, obtaining authorization in each case and other factors added to the time involved in conducting each interview. A considerable amount of time was involved in preparing and adjusting the interview tools and in planning and setting up the interviews. The interview schedules used were of three types (see Appendix 1): one for clients of the programs, one for field agents and one for program coordinators. All interviews, of clients as well as of agents of the programs, were conducted between 3 August and 12 September, 2001, except for two preliminary exploratory interviews carried out in December 2000 and January 2001.

It was not possible to select a scientific sampling of the clients both because no census of the population exists, while it is planned in the future, and because of the high levels of mobility and lack of addresses in rural areas. Given this situation, we decided that the help of field agents, who were nearly always women with whom the clients had regular contact, was an indispensable condition for finding clients in the countryside and also for making contact with them. In order to pose certain questions regarding microcredit through the reflections of the clients of the programs themselves, we decided to present exemplary stories of experiencing microcredit as told by participants themselves. Such interviews cannot of course be used for statistical analysis. Therefore the reader will find no statistical tables, nor sophisticated elaboration of data. We decided instead that it would be more

useful to create a comparative typology of the various programs in order to furnish the reader with a clear picture of the diversity of methods with which a microcredit program can be carried out. This approach also facilitates familiarity with the diversity of models presented in the theoretical section.

The programs selected for study are: The Southern Zone Savings and Credit Scheme, the Credit Program of the National Union of Eritrean Women, the Savings and Credit Program of the Eritrean Community Development Fund and the Mitias' Credit Scheme created by the Eritrean Relief and Refugees Commission. These programs represent the most relevant and important microfinance initiatives in the country and together give a clear picture of the plurality of models currently at work in Eritrea. The programs are all relevant with respect to number of clients, resources and organizational structure. They include two government programs, the Savings and Credit Program of the Eritrean Community Development Fund and the Mitias' Credit Scheme of the Eritrean Relief and Refugees Commission. They further include a program introduced by an international NGO, the Southern Zone Savings and Credit Scheme and one, the Credit Program of the National Union of Eritrean Women, which was managed by a local NGO. Two programs, the Southern Zone Savings and Credit Scheme and the Savings and Credit Program of the Eritrean Development Fund, are directed toward the poor population of Eritrea in general. The other two are targeted toward particularly vulnerable groups, namely women heads of household and ex-soldiers respectively.

With this work we hope, in an informed way, to introduce microcredit as a topic to the non-specialist reader interested in playing a role in development issues. This work can present to such a reader a subject which is being increasingly defined as ever more relevant to international cooperation. The statements of women themselves with which the book concludes, demand and deserve a hearing, more than would our own synthesis or

conclusion. To the readers, especially the young, we present the testimony of this work in the hopes that they may find, through committing their lives to those of others too, those words that we were unable to say.

The authors

Notes

1. The Gender-related Development Index (GDI) is a composite index measuring average achievement in the three basic dimensions captured in the human development index – a long and healthy life, knowledge and a decent standard of living – adjusted to account for inequalities between men and women (UNDP, 2004).
2. The Gender Empowerment Measure (GEM) is a composite index measuring gender inequality in three basic dimensions of empowerment – economic participation and decision-making, political participation and decision-making and power over economic resources (UNDP, 2004).

CHAPTER 1: MICROCREDIT

WHAT IS MICROCREDIT?

A beginning definition such as the following can be found in the introduction to the Declaration and Plan of Action of the first Microcredit Summit, held in Washington from 2 to 4 February 1997:

For the purposes of this document, the 1997 Microcredit Summit, and the Summit's nine-year fulfillment campaign, any reference to microcredit should be understood to refer to programs that provide credit for self-employment, and other financial and business services (including savings and technical assistance), to very poor persons (The Microcredit Summit, 1997).

In the same Declaration it is argued that access to credit, traditionally restricted to the more affluent, can open new opportunities to poor people improving their conditions of life and those of their families.

Microcredit programs become vehicles for a variety of desirable social developments. Microcredit can play an important role in increasing access to basic social services and thereby enhancing the well-being of very poor people. A poor woman who is able to access microcredit can also gain increased access to primary health care, safe water and sanitation for her family, and family planning information and services. She is

also more likely to enroll her children, particularly girls, in school (The Microcredit Summit, 1997).

To concede *credit*, according to such an approach, becomes to give *trust* to the poor in the broadest sense of the word: faith in their capacity, faith in their intents and aspirations, faith in their solidarity against others, faith in their contractual loyalty.

The meaning of the word 'credit' is 'trust' (Yunus M., 1999).

What must be recognized as the cornerstone of any global anti-poverty strategy is the irrepressible desire and innate capacity of people to improve their situation and to succeed, for themselves and especially for their children (The Microcredit summit, 1997).

The assumption, restated by the previously cited Muhammad Yunus, one of the founding fathers of microcredit, is that:

Because I firmly believe that all human beings have an innate skill. I call it the survival skill. (...) Giving the poor access to credit allows them immediately to put into practice the skills they already know (...). And the cash they earn is then a tool, a key that unlocks a host of other abilities, a key to explore one's own potential (Yunus M., 1999, p. 225).

Grameen is about personal economic development, and wherever there is development there is change. People improve their lives, their lives change, and suddenly the situation is fluid. The change which occurs is not a victory over another person, but over the conditions of abject poverty. Improving one's living standards is intrinsic to the process of change (Yunus M., 1999, p. 153).

In the traditional banking system, one does not lend money to the poor because they do not have goods to offer as collateral. It is considered economically inconvenient to lend sums needed by the poor but which are considered too small (Yunus M.,

1999, p. 75; Berenbach S., Guzman D., 1994, p. 120). But the new approach generally substitutes the social commitment of a cohesive group of persons for economic collateral in exchange for providing credit (called by some authors "group dynamics": Volpi F., 1998, p. 20).

The pressure of their own peers, who together, and perhaps also increasingly, mean their support, substitutes effectively for the collateral guarantees for loans and permits to the bank savings on the high costs of selection and control of their customers (Volpi F., 1998, p. 19).

The discourse on microcredit has been linked, since its origins¹, to the necessity of reducing world poverty. It has no longer been possible, for some time, to address the situation using only the criteria of humanitarian emergencies, but instead poverty is understood to constitute a genuine obstacle to the progress of capitalist development. In this sense to have identified new and efficacious forms for implementing policies addressed to the poorer sectors of society becomes a relevant part of modern development strategies.

Microcredit becomes the axis of an alternative approach to economic development: investing in people, in the poor and their abilities, it is possible to weigh in on production and distribution, diversification of financial resources and entrepreneurial initiative.

Micro-credit starts up the economic engine at the rear end of the train by starting up the engine in each passenger in that usually decaying and putrid carriage. This cannot reduce the speed of the train, it can only increase it, which most of today's so-called development projects fail to do (Yunus, 1999, p. 220).

The Microcredit Summit notes the worldwide utility of this instrument in the struggle against poverty based upon its many successes in diverse international settings. "Microcredit is a pow-

erful anti-poverty tool that has demonstrated relevance to people on six continents and in nearly every country" (The Microcredit Summit, 1997).

It is enough to note certain data, by now well-known, published by the UNDP in its annual report on Human Development, and reprinted in the Microcredit Summit, to have a quantitative image of unequal distribution of worldwide resources, between industrialized areas and non-industrial ones, between affluent social sectors and non-affluent ones.

Focusing on the one billion people that comprise the poorest 20 percent of the population, the United Nations Development Program finds that they account for only 1.4 percent of the world's Gross National Product and only 0.2 percent of commercial lending (The Microcredit Summit, 1997).

Despite all our technological breakthroughs, we still live in a world where a fifth of the developing world's population goes hungry every night, a quarter lack access to even a basic necessity like safe drinking water, and a third lives in a state of abject despair—at such a margin of human existence that words simply fail to describe it (UNDP, 1994).

Especially excluded from economic opportunity and at a disadvantage with respect to distribution are *women* both because of the lack of recognition of the economic value of the work of social reproduction that they carry out and because of the discrimination that they face with regard to every form of property ownership. This aspect, which is consistent with the situation also in the industrialized countries, becomes highly significant in the developing countries where that denial of access to women is even more widespread.

In the countries of Africa, for example, where women constitute 60% of the labor force in agriculture contributing 80% of total food production, they receive only 10% of the credit loaned

to small farmers and 1% of the total credit loaned to agriculture (UNDP, 1995).

The Microcredit Summit denounced these data, together with similar statistics, in order to move toward a concrete choice and immediate action:

It is now time for the enormous dynamic energy of collective human will to focus on ending absolute poverty.

Given the successes of microcredit institutions, and recognizing the urgency of the task to unleash the potential of the one-fifth of humanity that still lives in extreme poverty, there is an immediate need for a global strategy to extend credit for self-employment and other financial and business services to very poor people, wherever they are found (The Microcredit Summit, 1997).

METHODOLOGY

The poor, the banking system and savings and credit groups. Rotating Savings and Credit Associations (ROSCA).

The poor are recognized as being excluded from the formal banking system:

For the most part, the drive of very poor people to help themselves through self-employment is ignored by the formal financial sector. Because the very poor have not traditionally been recognized as creditworthy or able to save, and because, using traditional commercial banking methods, the cost of making a larger loan of US\$ 10,000 or US\$ 100,000 is virtually the same as the cost of making a loan of US\$ 100, poor people are not perceived as a profitable market for credit. As a result, very poor people are forced to turn to traditional moneylenders—who may charge rates as high as 10 percent a day. Paying these exorbitant rates, the poor remain poor—passing this

burden, and often the debt, on to future generations
(The Microcredit Summit, 1997).

Who the poor are exactly is difficult to define. While the instruments for measuring the state of poverty have become more sophisticated, the boundaries become more unfocused and the meaning of the word becomes unclear or imprecise. Anchored to the fragile equilibria of subsistence economies, impoverished by policies that impact negatively on their lives, struck by calamities that are natural or human in origin, all of these "poor" have traditionally faced situations that demanded significant resources, emergencies of various types, problems related to their security and to the improvement of their conditions of life; but they have never been customers of the formal banking system. They constituted an alien world, outside of the financial opportunities of the world credit system.

The poor however, throughout the world and since ancient times, have taken steps to permit them to gain access to forms of loans and organized informal financial services, as savings and credit groups among peers. The typology of these initiatives, vary by form and content in relation to the initial conditions of the group, the specific objective that they want to achieve, the social context in which they operate and other aspects, but, in general, the goal of these self-managed financial services has been to put together significant resources in order to accomplish real security of life for the individual or the group.

Systems (...) are many and varied, and range from simple reciprocal arrangements between neighbours, savings clubs and rotating savings and credit associations (ROSCAS), to forms of insurance, building societies, and systems of cooperative business finance (Johnson S., Rogaly B., 1997, p. 17).

Such initiatives are present in different societies and assume various names (Johnson and Rogaly, 1997, p. 17; Moggi p., 1999, p. 21): *pasanaku* in the Andean countries, *tanda* in Mexico, *syn-*

dicate in Belize, *gamaiyah* in Egypt, *tontine* in West Africa, *he hui* in China, *iddir* in Ethiopia (where, for example, they may be used to pay funeral expenses or for the needs of a family facing high medical expenses or losses due to calamity or injury), *mahber* or *equb* in Eritrea.

The Rotating Savings and Credit Associations (ROSCA) are simple forms of financial intermediation. They are very diffuse in poor countries, with ancient roots in the local cultures, and they therefore are founded on varying organizational criteria. The basic principle is simple: a group of persons decides to save a certain amount of money at regular intervals (weekly or monthly) and the total sum is assigned, by taking turns, to one of the members of the group permitting this person to use a small amount of capital with which to realize their own project. Despite their variations, the ROSCAs have common criteria and prerequisites. Among these are:

- the existence of a demand for financial services
- the assumption that the poor have a propensity to save
- the selection of beneficiaries
- the group pressure to reimburse
- the self-management of the program by the direct beneficiaries
- the adaptability of diverse systems to different circumstances (Johnson S., Rogaly. B., 1997; Choros & Etimos, 2001).

The principle advantages, beyond the possibility of obtaining credit, consist in developing a savings system appropriate to the specific situation, in the reinforcement of preexisting social bonds, and, in many cases, in augmenting the capacity for responding to emergencies on the part of individuals and groups. These informal services nevertheless present some limitations and weaknesses if seen from the point of view of development of small entrepreneurial activity by poor people.

ROSCAs are limited primarily by their lack of flexibility. The rotating nature of the distribution system reduces the likelihood that a member will be able to receive her disbursement at the time when she can make the best use of the money. (...) The lack of flexibility is also apparent in the loan amounts. The members all receive exactly the same amount, as mutually agreed by members, regardless of their precise needs. (...) Finally, some people may be unwilling to assume the risk involved in participating in a ROSCA; members may drop out of the group after they have received their payment and before everyone else has had a turn to receive credit, causing the group to disintegrate (Waterfield C. Duval A., 1996, p. 86).

It is true that methodologies brought to bear in microcredit programs founded on solidarity between the members adopt elements of the traditional model of the ROSCAs (Berenbach S., Guzman D., 1994, p. 119) creating more modern forms of organization, thanks to certain innovations, with the declared intent of overcoming some of these limitations (Moggi p., 1999, p. 20; Waterfield C., Duval A., 1996, p. 80).

Microcredit Programs

Microcredit programs work through microfinance institutions (MFI), institutions that propose to bring about long-term interventions with the goal of promoting conditions favorable to local development. A variety of methods for the delivery of credit services were set up as alternative approaches, with the goal of favoring on the one hand access to credit on the part of the poor, on the other to guarantee repayment of the loans. These methodologies can be grouped in two large categories (Waterfield C., Duval A., 1996, p. 80):

- methods that provide for the distribution of credit to individuals

- methods that provide for the distribution of credit to groups.

The principle difference between the two forms consists, in the final analysis, of diverse mechanisms for guaranteeing repayment. In the first, the guarantee is founded upon individual commitment, in the second on collective commitment and solidarity.

Individual loans represent the most ancient form of microcredit, and even today are the closest to the methodology adopted by commercial banks. Generally, in this case, there is a great deal of flexibility in the loan conditions related to the exigencies of the client. An analysis is first conducted as to the client's solvency and the feasibility of the project. The risk is covered through collateral guarantees or co-signers for the loan.

This methodology was not formulated with the goal of reaching specifically poor people, but rather as an adaptation of pre-existing banking methods so as to support small-scale productive activity (Waterfield C., Duval A., 1996, p. 87).

A distinct aspect of the methodologies based on the group instead regards the orientation of the program toward the future independence of the group itself; in other words, a group can be constituted with the sole role of furnishing a guarantee for the repayment of the loan, or instead, in order to manage the program itself. Such a distinction is found in all four of the typologies based on groups (Waterfield C., Duval A., 1996, p. 83):

- loans with solidarity groups, on the model of the Grameen Bank
- loans with solidarity groups, on the Latin American model
- Village Banks (VB) and Community-Managed Revolving Loan Funds (CMRLF)
- Savings and Loans Associations (SLA).

The Grameen Bank Model

The Grameen Bank Model was the first to use the approach of group solidarity (Waterfield C., Duval A., 1996, p. 91) and

to bring microcredit to the attention of the world. The starting point was the original experience of economist Muhammad Yunus, university professor in Bangladesh who, in 1976, began to bet on the trustworthiness of granting credit to the poor. At first he had to guarantee the loans to people, but ended up founding the Grameen Bank in 1983, the first Bank of the Poor, a bank that has today more than a thousand branches and more than a million clients (Volpi F., 1998, p. 15). This great accomplishment has aroused, and continues to arouse a considerable international attention. It has influenced the world panorama to the point that, currently, there are analogous programs in at least 58 countries throughout the world (Yunus M., 1999).

This model was created with the exigencies of poor women who engage in business activities and support families particularly in mind. 94% of the clientele of the Grameen Bank, in fact, consists of women (Volpi F., 1998, p. 46). The basic mechanism of this credit system is the constitution of a group formed spontaneously of 4-5 people who request a loan. The participants in the group must not be relatives and must come from similar socio-economic conditions.

Once the group is formed, the individual participants can request loans from the bank. Not all members receive the money at the same time: two begin, chosen by the group, while the others monitor the correct use of the money and repayment. If everything goes as planned, the others will also successively obtain loans (Volpi F., 1998, p. 16). The groups are organized, at higher level, in Village Centers, weekly meeting places in which a bank functionary participates, where business activity and the clients' problems are discussed and where the bank transactions take place.

Everything is done publicly, so that maximum transparency is guaranteed in operations. And everything is done without the people being forced to go to the bank, because it is the bank that comes to the clients:

another cardinal principle in the philosophy and in the style of the Grameen Bank (Volpi F., 1998, p. 17).

The loans generally expire annually and interest is applied analogous to that used by other banks in the country. Reimbursement is made in weekly payments because it is thought that it can be difficult for a poor person to deposit greater sums and to repay a single lump sum, at the end of the period. The size of loans grows progressively: the clients can request greater amounts bit by bit as the group closes out its loans successfully, but the amounts remain however within relatively low limits. Every member of the group is responsible for repayment by the other members and no one can receive further loans if payments by the group are behind schedule.

The credibility of the individuals and the group as a whole, non to mention the future beneficiaries, are at risk if a member infringes on the discipline and fails to repay the loan. (...) In the same way, if a group fails to repay, the responsibility falls on the center of which the group is a part (Volpi F., 1998, p. 20-21).

Every client, when they receive the loan, deposits 5% of the sum in a Group Fund. Further, they must continue to set aside a weekly minimal savings the amount of which "corresponds to the value of a handful of rice that a woman would set aside every time she prepares the principle meal of the day" (Volpi F., 1998, p. 40). Such weekly savings will go to constitute a personal reserve. The Group Fund is managed by the group itself and is utilized for various necessities of consumption, for cases of illness, for social needs, or also for other investments, always with the approval of the whole group. The Branch is the smallest administrative unit of the organization of the bank: its personnel carry out the field operations establishing direct contact with the clients and each one follows between 50 and 70 Village Centers. The Branch is coordinated by the Area Office, and this in turn by the Zone

Office. The Central Office, which is in Dhaka, is delegated the tasks of mobilizing resources from the outside, making the major policy decisions, conducting research activities and development (Volpi F., 1998. p. 28).

The bank clients become co-owners of the bank through acquiring small stock quotas.

Over the course of years, paralleling the increase in clientele, the bank is aided by the growth of the portion of the total capital held by the beneficiaries and by their presence on the representative bodies. Currently, 92% of the stock is held by the clients, the rest is owned by the Government (Volpi F., 1998, p. 39).

A peculiar characteristic of this model is the assumption of rules of behavior, the 16 recommendations, on the part of the members, in adherence to social values promoted by the organization. Such rules have the objective of proposing to the clients, in the hopes that they will share them, goals for improving the style of life (Yunus M., 1999).²

The involvement of the bank in working toward the goal of "self-sustaining development" (Volpi F., 1998, p. 42) comes about through the experience of programs geared toward improving not only the conditions of life of the bank's members but of the entire population: programs for building houses, educational activities, forms of health insurance and projects for collective enterprise in such sectors as fishing, agriculture and craftwork.

The Latin American Model

The Latin American Model refers to the methodology based on solidarity groups introduced by the NGO ACCION International in Latin America, and followed, with varying adaptations, by several projects (Waterfield C., Duval A., 1996, p. 82). This approach is based on small groups. The members number from 4 to 7 and join each other by free choice, autonomously,

but they must not come from the same family and must have similar socio-economic conditions. They receive loans individually, but the entire group act as guarantors. The small scale of the loans serves to support small commercial activity and small-scale services or production. The MFI staff who provide loans first carry out an investigation on the socio-economic situation of the applicant. But in order to provide credit, such findings will be outweighed in importance by the investigations aimed, within other models, at providing individual loans (therefore outside of this approach based on groups). At first the clients receive small amounts, which they repay within a short period (8-10 weeks), and their regular repayments allow them to obtain gradually larger loans. The interest rate is often very high, sometimes two or three times the market rate. The principle differences with respect to the Grameen model are:

- the different function of the loan
- the different significance of the group:

Clients are usually required to open savings deposits as a central part of the program. (...) Clients are not allowed to access their savings while participating in the program. Rather than developing a savings habit among clients, savings serve primarily as a compensating balance, guaranteeing a portion of the loan amount (Waterfield C., Duval, A., 1996, p. 103).

This approach used a small peer group strategy similar to that used by Grameen, but opted to retain loan approval and administration in the already-existing systems used previously with the individual methodology rather than incorporate the community-based aspects of the Grameen methodology (Waterfield C. Duval A., 1996, p. 92).

The Grameen Bank and Latin American models, based on group solidarity, aim to maintain the relation of the MFI with its clients and do not provide for the development of an autonomous capac-

ity for financial management by the group (Waterfield C., Duval A., 1996, p. 92).

Village Banks, Rotating Funds and Credit and Savings Associations

The other three models, Village Banks, Rotating Community Funds, and Credit and Savings Associations, are together called Community Based Organizations (CBO). These aim to develop instead an autonomous financial management by groups in such a way that the available funds are managed by choices and independent criteria, particularly as concerns the mobilization of savings by the members. They are oriented toward the creation of an "informal mini bank" owned and operated by and for the poor (Waterfield C., Duval A., 1996, p. 92).

The Village Bank

The Village Bank (VB) is organized on the most diffuse of all the CBO models, developed during the mid-1980s by FINCA (Foundation for International Community Assistance), an American NGO. The VB is formed by large groups, 20-25 people, who receive training and loans from an MFI. The latter acts as an external partner and assumes a role promoting the start of the Bank (Waterfield C., Duval A., 1996, p. 110). The VB can count on two lines of finance that are managed separately:

- external financing, provided by the MFI and
- internal financing, provided by savings of its members and from earnings gained through interest and investments.

Therefore, the greater the savings capacity, the greater will be the autonomy of the Village Bank. The expectation is that, in time, it will no longer be necessary to ask for external financing because the VB will be able to sustain itself with only its own funds.

Since the purpose of the methodology is to foster independence and financial autonomy, village bank members are required to contribute to internal fund through savings. Banks members are generally

required to save over a period of several months prior to receiving a loan from the program (Waterfield C., Duval A., 1996, p. 113).

Once the VB is instituted, it will be the MFI's task to provide a loan to it after having ascertained its management ability. The loan must be completely paid back in the established time, usually with the current rate of interest. The VB, for its part, provides small-scale loans to its individual clients, its own members, at interest equal to or greater than that which the VB must pay to the MFI; the difference in interest ends up as a base for the internal fund of the VB. The members of the VB elect a committee that must manage all financial aspects and approve the provision of loans to individuals. In this model, the amount of loans received from the MFI corresponds to the sum of the individual loans applied for by members. Because the members of the VB are collectively responsible for repayment of the loan obtained from the MFI, if a client for whatever reason is not able to repay, the other members of the VB must cover the debt using generally the internal savings funds.

The VB also provides loans to clients using its own internal funds: in this case it establishes autonomously the rules for loans foreseeing shorter repayment periods and higher rates of interest. The loans provided on the basis of internal funds are often utilized for emergency situations or for consumption, while the loans based on external funds are used only for productive activities. Generally the VB does not require guarantees or cosigners for providing credit, but depends on mutual knowledge and trust. The methodology of the VB is meant to achieve financial self-sufficiency in a brief period (usually 3 years) but such a goal is debated because, in light of experience, the demand for credit is normally much greater than the potential savings (Waterfield C., Duval A., 1996, p. 115).

Community Managed Revolving Loan Funds (CMRLF)

The Community Managed Revolving Loan Funds (CMRLF) are formed by very large groups of 30-100 persons, who manage both the savings of group participants and the loans and donations provided by an MFI as an external partner. The members often do not have any already existing business. So the program aims to generate new sources of income. The entire group receives a loan from the MFI. The loan is provided on the basis of ascertaining, on the part of the financier, the managerial ability and the cohesion of the group. The group, for its part, analyzes and approves the requests of individual clients through a management committee elected by the members. The group establishes autonomously its own rules for providing credit to individual clients and generally, in order to meet their exigencies, there is a great deal of flexibility in the stipulations of the individual contracts. This characteristic differentiates this model from that of the VB. The interest rate on the loans to individuals is higher than that on loans to the group: this is in order to capitalize, over time, a fund belonging to the group. The amount of the loan provided by the MFI is usually proportional to the amount of the internal fund accumulated by the group, and is not tied to the production of guarantees. The group is therefore collectively responsible for the restitution of the entire amount to the MFI. If a person is not able to reimburse his or her debt, this must be repaid by the group, even, if necessary, using the internal funds.

The provision of loans on the part of the group to individual clients is now and then tied to the production of guarantees such as for example a bicycle or an animal. However, the groups rely primarily on their knowledge of the individual members and of the local operating environment to decide on whether or not to approve the loan (Waterfield C., Duval A., 1996, p. 119-122).

Savings and Loan Associations

Savings and Loan Associations (SLA) are similar to the Community Managed Revolving Loan Funds (CMRLFs) with two

differences: the start-up fund derives entirely from the savings of the members and the role of the proponent organization (MFI) is solely one of technical assistance. This methodology assumes therefore, as opposed to the others types of CBOs, the financial independence of the group from the time it constitutes itself. From among the members of the Association, who can comprise from 30 to 100 adherents, some *referents* are elected who constitute one or more *Committees*. These committees have the task of managing the savings of the members, analyzing and approving individual requests for credit, monitoring the financial transactions and keeping the records. An SLA establishes autonomously the rules and conditions for providing credit and these can be employed both in productive projects and in consumption. The loan amounts are often established in relation to the savings deposited by the clients. The interests rates demanded are usually high, higher than the market rate, because interest is considered a means for augmenting the capital as the disposal of the group (Waterfield C., Duval A., 1996, p. 63, 124-128).

Organizational choices and procedures

If by methodology is meant the entirety of organizational choices and procedures carried out by a program in order to provide its services to its clients, one can say that currently there is much experimentation and combination of various models in hopes of finding the most efficacious approaches (Waterfield C., Duval A., 1996, p. 93). This takes place with the conviction that the selection and adaptation of methodologies are fundamental in the preparation of programs and such choices strongly influence the efficiency of an MFI as well as the sustainability and impact of the program (Waterfield C., Duval A., 1996, p. 3). Some of the influences on the organizational form of a microcredit program include (Waterfield C., Duval A., 1996, p. 3, 79):

- the typology of the clients,
- the social and economic context of the operations,
- the specific purposes of interventions.

The typology of the clients

It is possible to identify various typologies of clients, based upon:

- their various economic activities
- their demographic, cultural and social characteristics.

a) The economic activities to which microcredit programs are addressed are generally found in the vast sector of the informal economy and in consist of Income Generating Activities (IGA); Micro Enterprises (ME); and Small Enterprises (SE). These are various types of enterprise to which correspond diverse expectations, aspirations and behaviors of economic subjects. In the Income Generating Activities, the economic activity is an integral part of the family economy and most of the earnings go directly to improving the conditions of life of the family; in the Micro Enterprise, a separation arises between the business activity and the family economy; in the Small Enterprise the profits are reinvested in developing the productive activity.

Because the useful services and the more functional techniques differ according to the activity, we also find that the various methodologies are applied based on the type of enterprise. Among the Income Generating Activities, we find a preference for the Community Based Organization, for the development of the Small Enterprise the individual type loans have demonstrated themselves more functional, and finally the Income Generating Activities and the Micro Enterprises are most likely to be reached by solidarity groups (Waterfield C., Duval A., 1996, p. 20).

b) Among the demographic characteristics, the most prevalent are the age of the clients, citizenship and residence, refugee status, educational level, and we find in microcredit a particular importance regarding gender: in most of the programs particular attention is paid to reaching women clients. Numerous studies have demonstrated that women on the one hand are poorer than men, on the other hand that they make the most of resources, extending benefits to the family more readily than men, that they

are more trustworthy with respect to paying back loans (Waterfield C., Duval A., 1996, p. 25).

If the goals of economic development include improved standards of living removal of poverty access to dignified employment, and reduction in inequality, then it is quite natural to start with women. They constitute the majority of the poor, the under-employed and the economically and socially disadvantaged. And since they were closer to the children, women were also our key to the future of Bangladesh.

(...)

So gradually we focused almost exclusively on lending to women (Yunus M., 1999, p. 89).

Women are very often involved in small-scale economic activities, in the informal sector, definable as Income Generating Activities or Micro Enterprises. According to some authors, the methodologies based on group solidarity, or in any case based on small short-term loans would be more appropriate to the necessities of women (Waterfield C., Duval A., 1996, p. 26).

Cultural aspects also weigh on methodological choices of microcredit programs because they can influence the perception of credit, the willingness of people to create a group and to work together continually. In environments characterized by diverse cultures the administrators will receive varied responses with respect to the collective involvement of the group, to meetings outside the home, to flexibility regarding due dates.

There is a direct correlation between the lending methodology chosen and the degree of cultural cohesion that exists within the target group. (...) It is important for programmers to assess how receptive people will be to working in groups, having to form groups to access credit, and assuming responsibility for someone else's debts, in order to design an appro-

appropriate methodology (Waterfield C., Duval A., 1996, p. 27).

Has credit traditionally been an accepted part of the culture? Are potential clients familiar with the concept of paying back or returning what they receive? (Waterfield C., Duval A., 1996, p. 27).

Again, recalling the typology of clients (see above), all of the microcredit methodologies developed in the various contexts, with the exception of those based on individual credit, are based on the need to reach, as a priority, the poorest sectors of the population. It is clear that the methodology based on the group is generally more suitable to reaching this target. But reaching the poorest, which is the most common social objective of these programs, imposes very precise and well-aimed methodological choices.

The poorest are not only deprived of financial services but live in such precarious conditions that they are unable to even obtain basic information about the programs (due to the impossibility to take advantage of transportation, and to limitations of health and of knowledge) or to meet even the minimum requirements for applying (small initial savings, the ability to start a business). These obstacles are so great that those who have *small resources* become beneficiaries, but not the very poorest. Because of this, microcredit programs have on the one hand set up *criteria for measuring* the levels of poverty and of *identification* of the poorest in various social contexts;³ on the other hand they have sought to introduce into their programs facilitating mechanisms including *disincentives* for those who have a greater range of possibilities (Gibbons D., 1997, p. 3). "While the traditional development paradigm reaches the poor last, if at all, our goal is to structure a campaign that reaches them first" (Druschel K., Quigley J., Sanchez C., 2001, p. 4).

The social and economic context of operations

As far as the socio-economic context is concerned, the choice of methodology will be influenced by the greater or lesser stability of the economic system and by the inflation rate, by the urban or rural context, by population density, by transportation conditions, by the opportunities offered by the market and by government policies in the financial sector as well as in the enterprise's development sector (Waterfield C., Duval A., 1996, p. 29).

Individual credit and the so-called Latin American model have been demonstrated to be better adapted to densely populated urban areas, while the other methodologies seem to find more useful application in rural contexts, with the Grameen Bank model preferred in more densely populated areas and preference for the Community Based Organizations in less densely populated zones (Waterfield C., Duval A., 1996, p. 33, 95, 101, 105).

The specific purposes of interventions

With respect to specific objectives, microcredit programs can take two different approaches:

- the minimalist approach, where the program exclusively engages in financial services (credit and savings);
- the integrated approach, where the program furnishes, along with financial services, technical support to the beneficiaries' activity (training, technical assistance, marketing, orientation).

A significant debate has opened over the opportunity for opting for one or the other approach, which has ultimately turned on the question of financial self-sufficiency of the programs and on this question expert opinion diverges. Authoritative economists affirm that: "(...) the poor are poor not because they are untrained, or illiterate, they are poor because they cannot retain the returns of their labour. The reason of this is obvious they have

no control over capital (...)” (Yunus M., 1999, p. 225). But they pay greater attention to various aspects of social development:

Reaching the survival point with micro-credit can be accomplished without difficulty. To go much further one needs good a health care system, education, a pension plan, good communications, market information. If no such support system is developed the economic advancement made by the borrowers may come to a halt or even slide backwards (Yunus M., 1999, p. 228-229).

Other authors, in the “financial systems approach” camp, state decisively that:

The principles behind the emerging techniques for offering financial services to the poor are the same as those found in any financial system and involve the following elements: a market perspective (...); a recognition that savings can be as important as credit (...); and insistence that financially viable institutions provide only financial services (Otero M., Rhyne E., 1994, p. 11).

And still others, from a different perspective, reply that:

Few NGOs provide saving and credit services without getting involved in related development activities. For ACTIONAID and Oxfam an integrated approach is usually seen as essential in addressing the causes of poverty identified in a particular area or by a particular group of people; it is rarely the case that savings and credit activities alone will reduce poverty. A range of other constraints are likely to exist, especially in making use of credit for production purposes (Johnson S., Rogaly B., 1997, pp. 52-53).

Given these varied positions on a subject still under discussion, one can only recall that:

- those authors most attentive to the costs of technical assistance services for an MFI judge such services to be an obstacle to financial self-sufficiency
- the orientation that seems to prevail today is to search for the most adaptable methodologies possible and to furnish some necessary services to a specific group of beneficiaries without compromising the path to financial sustainability (Waterfield C., Duval A., 1996 p. 68).

SUCCESS AND CRITICISM

From the first experience of the 1970s microcredit operations have come far. It is estimated that today they reach 30 million people. Of these 19 million were extremely poor when they obtained their first credit (Druschel K., Quigley J., Sanchez C., 2001 p. 3) and, of the poorest, 14 million were women (Druschel K., Quigley J., Sanchez C., 2001, p. 10). Among the most important promotional events was without doubt the first Microcredit Summit, held in Washington in February 1997, which brought together grassroots groups from the North and South of the world, representing NGOs, financial intermediaries, socially committed enterprises, national governments, international institutions, United Nations agencies; all told 2,900 persons came together representing 1,500 institutions from 137 different countries. The officially launched goal of organizing a worldwide "movement" of activists in order to reach 100 million poor families by the year 2005, with particular attention to women (Microcredit Summit, 1997) has become a challenge for world social policy.

The four points underlined in the declaration of intents by the Microcredit Summit Campaign (The Microcredit Summit) illustrate how vast a sphere of activity is seen, how much faith is placed in this new methodology of offering credit, how much optimism there is concerning the compatibility of financial requisites with the social content of the operations. To reach the poorest among the poor, to reach and reinforce the role of women in society, to start up financially self-sufficient institutions, to insure a positive

and measurable impact on the lives of clients and their families: these are the goals of the declaration of intents and together they make up the aspirations of the international community that has decided to act according to this strategy.

An important step in the process, in recent years, of international recognition of microcredit as one of the principle instruments for the struggle against poverty (United Nations, 1997, p. 1), was the creation in 1995 of the Consultative Group to Assist the Poorest (CGAP). This consortium, which currently brings together 29 donor agencies, is dedicated to the spread and the development of microfinance methodologies and to the development of managerial ability both for sustainability and for achieving the goal of reaching the poorest (Druschel K., Quigley J., Sanchez C., 2001, p. 5). The promoters of CGAP, among whom is Muhammad Yunus himself, decided to establish an office in contact with the World Bank.

The donors said it would be logistically difficult to locate the secretariat in Third World countries. I was not convinced at all, but among the three cities mentioned earlier, I supported the World Bank in Washington as the location over Rome or Paris, hoping that by hosting the secretariat, the most important development finance organization in the world might have the issues of poverty rubbed into their thinking and might change their mind (Yunus M., 1999, p. 275).

The World Bank, beyond being a founding member of CGAP and hosting the office, has started its own project for developing microcredit called Sustainable Banking with the Poor (SBP), recognizing microcredit, after many years of polemics, refusals and uncertainties (Yunus M., 1999) as one of the most effective instruments for reducing world poverty (Wolfensohn J., 1998, p. 1). The United Nations Development Program (UNDP) had promoted, already in 1966, the United Nations Capital Development Fund (UNCDF) and, through this organization, had

opened a line of finance dedicated to providing credit to small and medium enterprises. Starting with the Microcredit Summit in February 1997, this organization had further created Microstart, a worldwide pilot program in the field of microcredit, with the purpose of furnishing support to the Local Offices of UNDP in starting up financing of programs (United Nations, 1998, p. 15). In August 1997, the mature experience of the UNDP Local Offices, of the Microstart program and of UNCDF, and their respective resources, were united in a single organization, giving birth to the Special Unit for Micro Finance (SUM) with the goal of facilitating the coordination among the different initiatives of the United Nations in the field of microfinance.

SUM is today considered the technical leader in matters of microfinance within the United Nations. There are, however, other agencies of the UN that integrate their own action programs with those of microcredit projects. Among these, the United Nations Children's Fund (UNICEF) includes microcredit among its own activities in those countries where the lack of access to small loans can constitute an obstacle to improving the conditions of women and children; the United Nations Development Fund for Women (UNIFEM) recognizes the necessity of furnishing credit as a fundamental part of their own strategy and as a tool for creating grassroots organizations of women themselves. Toward this objective, beyond providing credit, it also builds projects directed at developing women's ability and competence so as to permit them to conduct successful small business projects. The International Labour Organization (ILO) carries out microfinance activities within projects involving the informal sector, in particular promotion of cooperatives, including credit and savings cooperatives. The ILO also conducts research on various aspects of microfinance in order to increase awareness, to influence policies in the field of work, and to identify the best models. The International Fund for Agricultural Development (IFAD), whose mandate is to combat rural poverty, is an active member of CGAP and carries out microcredit projects, valuing

them as a tool for raising incomes and for building food security for poor families (United Nations, 1998, pp. 15-18).

The World Summit for Social Development, organized by the United Nations at Copenhagen in March 1995, also expressed the intention of promoting strategies for increasing access to credit, in particular among women and the most vulnerable groups, in order to defend human rights and to contain poverty (United Nations, 1995). The European Commission issued its Commission communication to the Council and Parliament on microfinancing and poverty reduction of 30 September, 1998, in response to a request by the Council, and advocates making microfinance more accessible to the poor, who hitherto have been excluded from financial services. An important aspect is that women can access this type of financing more easily (European Commission, 1998).

A strong point of microcredit, universally recognized, is the potential to oppose usurious loans in areas where usury is a traditional source of impoverishment of an already poor population.

Usurious rates have become so standardized and socially acceptable in all third world countries that not even the borrower notices how oppressive the contract is. (...) Sometimes the loan is taken out for social or investment purposes (...), but sometimes for physical survival (the purchase of food or medication, or to meet some emergency situation).

But in all cases it is extremely difficult for the borrower to extricate him- or herself from the burden of the loan. Usually the borrower will have to borrow again just to repay the prior loan, and ultimately the only way out is death.

There are usurers in every society. Unless the poor can be liberated from the bondage of the money-lender, no economic programme can arrest the steady process of alienation of the poor (Yunus M., 1999, p. 8).

To have clearly demonstrated, based on concrete experience, the ability of microcredit to have positive results from the point of view of financial reproducibility of the invested capital, has contributed to reduce the skepticism of the world of traditional finance. Another point of view has become influential, according to which new areas of investment, and other markets can be identified if approached through various policy methods and different prerequisites, requiring minimal levels of "banking suffering." Experience has demonstrated that the rate of repayment of loans is very high: an unexpected reality for many who considered the precarious conditions of people's lives as a factor of insolvency. It has been demonstrated that the poor are able to pay interest and repay loans at higher rates than among clients of formal banks. M. Yunus, founder of the Grameen Bank (a bank of the poor which has a repayment rate of 98%) affirms: "Our work became a struggle to show that the financial untouchables are actually touchable, even huggable" (Yunus M., 1999, p. 81). Again, international experience has demonstrated how microcredit programs can become sustainable. A microfinance program is considered sustainable when it "ensure that the services continue to be available to a growing number of clients over the long term" (Waterfield C., Duval A., 1996, p. 199). Sustainability, which must be for the long term, must be accomplished in two areas: organizational sustainability, the overall capacity of the institution to manage itself and expand; and financial sustainability, the capacity to not depend on external finance, donations or creditors (Johnson S., Rogaly B., 1997, pp. 58-70).

The ability of the poor to repay and the capacity for financial initiatives to become self-sustaining are two of the most convincing elements that affirm the success of these initiatives and confirm the validity of microcredit in the struggle against poverty. We see today new openings by traditional credit systems toward financial relations founded solely on *trust*, or on trust based on *solidarity* (of a group of creditors) or on mixed forms of guarantees based *on trust and on capital* together. The requisites

and the methods with which loans are provided are in part innovative and in part derived from the past.

Along with the many consensuses in favor of Micro Finance Institutions (MFIs), we also find some critical voices in the international debate. These see a risk of viewing microcredit as a form of panacea, a universal solution to the problems of poverty and inequality, with some basic ambiguity about issues on which greater clarity is called for (Dawkins Scully N., 2000, p. 1).

Such critical positions turn on three questions:

1. Can the goal of financial self-sufficiency coincide, and to what extent, with that of reaching the poorest? This link, confronted both publicly and in internal debates between theorists and administrators of microcredit, was also brought up at the world meeting of microfinance activists held in Abidjan in June 1999 (Gibbons D., Meehan J., 2000).

Some have raised strong objections to the likelihood of conducting programs with an assumption that these two goals coincide (Dawkins Scully N., 2000,p.2).

In some cases, microcredit programs that target the poorest exacerbate the very poverty conditions they were designed to address. Some lenders attempt to cover the costs of lending to the poorest by charging usuriously high rates of interest, while forgoing the costly but crucial services necessary to improve the productive capacity of the poorest borrowers (Dawkins Scully N., 2000, p. 1).

The representatives of the Microcredit Summit Campaign instead seek to demonstrate that the MFI can reach the poorest following the goal of financial sustainability:

In 2000, The Campaign updated a 1999 paper titled, *The Microcredit Summit's Challenge: Building Financially Self-Sufficient Institutions While Maintaining a Commitment to reaching the Poorest Families*. The paper takes an in-depth look at three insti-

tutions (one each in Africa, Asia, and Latin America) that are reaching a significant number of very poor clients and whose institutional financial self-sufficiency ranged from 79.7 percent to 95.9 percent (as of June 2000) (Druschel K., Quigley J., Sanchez C., 2001, p. 6).

The approach based on financial sustainability, better known as the “win-win proposition” is in large part identified with the position of those MFIs for which reaching the goal of financial self-sufficiency constitutes an excellent standard of efficiency for conducting the struggle against poverty (Othero M., Rhyne E., 1994a, p. 2). Those who provide credit to the poor without any subsidy, and therefore at high rates of interest sufficient to cover all of the costs of the program derive from this position. These argue that such a policy will not reduce demand for credit on the part of the poor, but will rather make it possible to reach a growing number of clients.

Other studies instead remain critical about this conclusion, showing evidence that the pressure on the MFIs from international donor to achieve financial self-sufficiency in “too brief” a time becomes an obstacle to utilizing credit’s potential in the struggle against poverty (Dawkins Scully N., 2000, p. 2).⁴ Such critics call instead for paying greater attention to the clients in order to understand whom they truly are, so as to identify who the programs really reach. They seek to conduct initiatives based not on the goal of an increasing number of persons involved but rather on reaching those in greatest difficulty (Morduch J., 2000, pp. 621-623). They even advocate in some cases that a partial dependence of the programs on financial aid be maintained even while seeking organizational efficiency.

2. Another question concerns the role of microcredit as a promoter of microenterprises in the struggle against poverty. Some sustain that mere access to credit is not a sufficient condition for insuring success to the development on microenterprises while in

fact the latter require favorable policies fostering economic and social development. Even the ILO has reviewed its viewpoint regarding microcredit for women:

While the ILO, as a member of the UN Council of the Microcredit Summit Campaign, supports this goal, it should be said that microfinance is not a panacea. The provision of microfinance is only one instrument among others that help female micro and small entrepreneurs to grow and develop. Poverty is a complex phenomenon with multiple causes, of which the lack of access to capital is only one (ILO, 1998, p. 8).

For some authors (Dawkins Scully N., 2000, p. 2) it is necessary to address as a priority, and in a critical way, the financial and economic policies imposed on the Countries of the World's South by the World Bank and International Monetary Fund.

The current wave of euphoria over microcredit misses the salient question: since a majority of people have neither the skills nor the inclination to be entrepreneurs, why are microenterprises proliferating? It has been clear for decades that the informal sector is a depository for the victims of the failure of the formal sector. As long as microenterprise development is offered as a substitute for meaningful social development, for employment that offers real security, for viable small-farm and enterprise production, and for fundamental changes in the economic policies prescribed by institutions such as the World Bank and the IMF, it will only impede progress toward finding real answers to the very real problem of poverty in the South (Dawkins Scully N., 2000, p. 2).

Once the policies that withdraw resources from social reproduction and thereby increase the informal sector are identified, we can see how microcredit promotes informal sector microenterprise. Microcredit can run the risk of becoming a financial vehicle

for policies that are unfavorable to social reproduction without becoming a direct force for social and economic development.

3. Other criticisms regard the goal of the Microcredit Summit to give priority to the role of women in society; an objective articulated clearly since the historic origins of these programs: "(...) giving the woman control of the purse-strings was the first step in giving her rights as a human being within the family unit" (Yunus M., 1999, p. 89). According to Noeleen Heyzer, Executive Director of the United Nations Fund for Women (UNIFEM):

Microcredit is about much more than access to money. It is about women gaining control over the means to make a living. It is about women lifting themselves out of poverty and vulnerability. It is about women achieving economic and political empowerment within their homes, their villages, their countries (Adams L. et al., 2000, p. 9).

Research cited by the ILO⁵ demonstrates how much credit, despite being provided to the woman, is in reality administered by the husband, or, in any case, by the men of the family who maintain control of economic resources. In these cases, providing credit to women, seen by the MFI as providing security due to the greater reliability of women in the management and repayment of credit, does not function as a factor leading to greater power for women in the family and community. Some more radical positions (Rahman A., 1999, pp. 69-70) have even found a negative impact of microcredit programs on women's condition, particularly due to the increase in the burden of work and the new pressures experienced within the family nucleus.

Others argue instead that even in the cases where women don't maintain control of the credit received, they still obtain equally, even if indirectly, improvements in their social and economic conditions. This would be due not only to their role as intermediaries in the process of obtaining credit, but also due to the increased opportunities to obtain information, training

and relationships that often accompany credit, which generally benefit women (Goetz A.M., and Gupta S., 1995; Todd H., 1996, *op. cit.* in ILO 1998, p. 6).

It is further argued, by studies on women's empowerment (Mayoux L., 1999) and others devoted to analysis of microcredit methodologies, that turning to the woman as a privileged beneficiary is not sufficient to correct the disequilibrium of power, inequality, and rights and opportunities, between men and women. To move in this direction, the woman must participate in the programs as a subject able to negotiate the contents of all aspects of the project: in the choice of strategy, in the setting of goals, in carrying out the initiative, in monitoring and evaluation, in the possibility of intervening with her own views in all phases of the project. Only this, it is believed, would permit women to fully take advantage of the potentials of credit (Johnson S., 2000, pp. 1-4).

Finally, regarding authors who participated in the work of the Fourth World Conference of the United Nations on Women held in Beijing in 1995, it is held that microfinance could make at best a modest contribution to the emancipation of women and to the struggle against poverty without a broad grassroots political movement directly initiated by women against gender inequality and impoverishment. That is, without being present in the first person, through their own struggle, demanding autonomy and life for themselves, poor women, against the policies and economics that draw resources away from social reproduction, women can gain little power from microcredit (Mayoux L., 1999, p. 4). According to these authors, the lack of any more direct relationship with politics and demands for rights for women would decisively weaken credit's potential to improve their situation.

MICROCREDIT AND WAR

There are as yet few studies of the consequences of war on microcredit programs, and on the planning and carrying out of

microfinance projects in postwar situations (Nagarajan G., 1997, p. 2). Among the most noted studies is the 1998 work of Karen Doyle, sponsored by the U.S. Agency for International Development, and that of Getha Nagarajan in published in 1997 by the ILO Action Program on Skills and Entrepreneurship Training for Countries Emerging from Armed Conflict.

The efforts to aid a population in a country that has just come out of a war can be schematically summarized in the following way: (Nagajaran G., 1997, p. 3):

1. Emergency efforts and lifesaving measures, in the first phase;
2. Reconstruction efforts, peace process and development in the short term;
3. Long-term development efforts in the succeeding phase;

These phases are not to be understood as separate in a rigid way, but must be flexibly adopted according to specific situations (Nagajaran G., 1997, p. 4). Microfinance Institutions are viewed as especially useful starting in the intermediate phase through the start of the development process. This is due to the contribution that MFIs can make to starting up entrepreneurship, as well as a vehicle for reconciliation between the social groups (Nagajaran G., 1997, p. 4), and in protecting the most vulnerable parts of the population (Doyle K., 1998, p. 6).

The World Bank's Post-Conflict Unit advocates early involvement in the reconstruction process to improve project analysis and increase the odds for sustainable development. (...) The United Nations Development Programme (UNDP) has been exploring this as a critical concern for several years and emphasizes that organizational leadership is constantly looking for new ways to work in post-conflict environments. Practitioners working on both ends of the relief-to-development continuum calculate the real and opportunity costs of delaying development until a country has emerged fully from recon-

struction are far too high. Development donors bear these costs when later confronted with widespread and entrenched poverty. However, the costs are born most cruelly by the world's poor, who cope with the far-reaching impacts of conflict and are left more vulnerable to subsequent disasters (Doyle K., 1998, pp. 5-6).

But the methodology founded on group solidarity can encounter enormous difficulties where, following a war, the ties of the social fabric have been destroyed (Nagajaran G., 1997, p. 8). Nevertheless the introduction of group loans can also work as vehicle of reconciliation to improve the trust and confidence among the members of society (Nagajaran G., 1997, p. 4).

According to K. Doyle (1998, p. 13) we must also consider that in postwar microcredit projects, to determine a priori that the beneficiaries will be weaker groups such as female head-of-households, evacuated persons, ex-combatants, disabled, can entangle one in specific problems for reimbursement and this can compromise the goal of financial self-sufficiency of the program. That is, the limited resources of the MFI, combined with the vast needs of the beneficiaries (Nagajaran G., 1997, p. 8-9) can lead to use of the program to contain poverty without inducing any revival. But there have also been experiences in which credit has contributed legitimately to reducing the disadvantages of these groups, while reducing violence and augmenting social security. These are all aspects that constitute important requisites for economic revival. This is what happened in some African countries for example, such as Uganda, Mozambique, Ethiopia, and Namibia (Colletta N.J., Kostner M., Wiederhofer I., 1996, cit. in Nagajaran G., 1997, p. 8) in the social programs conducted through microfinance by their respective governments, together with NGOs, to bring about a reentry of ex-combatants into civilian life.

Generally it is understood however, that war creates serious obstacles to the development of microcredit programs:

1. At the macro level, by disrupting the economy and financial stability.
2. At the intermediate level, by rendering more difficult the performance of MFIs
3. At the micro level, by bringing destruction to both the business activity of clients and to the social relations based on trust (Nagarajan G., 1997, preface).

The MFI in war and postwar situations must work in environments characterized by a lack of economic and social security, loss of trust, ruined infrastructure. There is a widespread condition of stress among the population, which has been territorially dislocated. There is currently no policy model that takes account of all of these variables (Doyle K., 1998, p. 2): the MFIs seek to acquire knowledge on the disadvantages produced by the environment of war and to develop innovative practices that adapt traditional methodologies to this specific environment. The experience gained so far allows us to identify some factors that have been demonstrated to be critical for microfinance in these contexts (Edgcomb E., in Doyle K., 1998, Executive Summary; Nagarajan G., 1997, pp. 23-24, 26):

1. Maximum flexibility understood as the capacity to respond to changing circumstances, including an elongation of the time allotted for reaching sustainability.
2. The need to focus on mechanisms for building reciprocal trust in the population.
3. The need for paying specific attention to developing managerial ability and to institutional reinforcement.
4. The importance of coordination among various donors.
5. The need for synergy among the actions put in place by the donors, from local government to the traditional social organizations.

6. The initial use of financing from donors to start up managerial capacity in the local institutions and to cover the costs of planting the microcredit structure.
7. The need to stabilize from the start mechanisms acting to develop over time a gradual independence from donor financing.
8. The urgency, particularly in the areas of health and education, that accompanies war can superimpose confusion between the work of the MFI and that of social services. Confusion between the two spheres can create long-term problems for microcredit NGOs which are expected to act according to market criteria, compared with those involved in more traditional social services and aid.

In studies devoted to the relationship between war and micro-finance attention turns to the contradiction between the social nature of the program and its own economic reproduction. We find diverse views on the subject:

Programs also are designed to be responsive to specific conditions of conflict (...) and programs may integrate or build off of basic needs activities initiated during an emergency response. This meshing of relief and economic strategies may occur intermittently as crises re-occur. Programs and clients have found methods to accept and integrate both of these, without confusing the ground rules of either (Edgecomb E. in Doyle K., 1998, Executive Summary).

Combining financial and non financial services may be attempted only when scale and scope economies can be realized. (...) But the services may not be provided free of cost or cross-subsidized by the financial programme. NGOs providing financial services should definitely avoid combining non-financial services such as provision of health and educational services under the same programme; such services need

to be clearly separated from the financial activities (Nagarajan G., 1997, p. 25-26).

THE EVALUATION OF THE IMPACT ON POVERTY

In the past two decades we find a polarized debate over how to evaluate the impact of microcredit programs. In the 1980s the debate focused primarily on the instrument of microcredit seen through input and output functions of an economic-financial type, by an approach described as *impact evaluation*. Currently, the debate is more focused on the program's social and economic policies, with the approach called *impact assessment*. In the latter phase, the reduction of poverty takes center stage, along with improving the social conditions of women, and participatory social development. In the current orientation, a major factor is the influence, among others, of the attention paid by donors to program's policies:

Impact assessment studies have recently become popular with donor agencies and, in consequence, have become an increasingly significant activity for recipient agencies. In part this reflects a cosmetic change, with the term IA (Impact Assessment) simply being substituted for 'evaluation'. But it has also been associated with a greater focus on the outcomes of interventions, rather than inputs and outputs (Hulme D., 1997, p. 1).

We can define impact evaluation as follows:

IAs assess the difference in the values of key variables between the outcomes on 'agents' (individuals, enterprises, households, populations, policymakers etc) which have experienced an intervention against the values of those variables that would have occurred if had there been no intervention (Hulme D., 1997, p. 3).

It is evident that already from this definition come methodological problems from the posing of a subject that has both experi-

enced and no experienced the intervention: "The fact that no agent can both experience an intervention and at the same time not experience an intervention generates many methodological problems" (Hulme D., 1997, p. 3). The impact evaluation immediately becomes a choice of method, choice of purpose, goals, and instruments. Let's try to briefly review some aspects of this debate. Above all the impact evaluation must have two diverse purposes:

- proving impact, understood as "measuring as accurately as possible the impacts of an intervention"
- improving practice, understood as "understanding of the processes of intervention and their impacts so as to improve those processes" (David Hulme, 2000, p. 80).

We can further mention that (David Hulme, 1997, p. 3) all of the impact evaluations share a conceptual scheme:

There are three main elements to a conceptual framework:

a model of the impact chain that the study is to examine;

the specification of the unit(s) or level, at which impacts are assessed; and

the specification of the types of impact that are to be assessed (Hulme D., 1997, p. 3).

The Impact Chain Model

The impact chain model is simple if seen in its essential elements. But

A more detailed conceptualisation would present a complex set of links as each 'effect' becomes a 'cause' in its own right generating further effects. (...) The complexity of such chains provides the assessor with a range of choices about which link (or links) to focus on (Hulme D., 1997, p. 4).

For microfinance, it is useful to distinguish between two main schools of thought with regard to which link(s) in the chain to focus on (Hulme D., 1997, p. 4).

For convenience, these are termed the 'intended beneficiary' school and the 'intermediary' school. The intended beneficiary school, building on the ideas of conventional evaluation, seeks to get as far down the impact chain as is feasible (in terms of budgets and techniques) and to assess the impact on intended beneficiaries (individuals or households). The intermediary school focuses purely on the beginning of the chain and in particular on changes in the MFI and its operations. (...) Generally, two key variables are focused on: institutional outreach and institutional sustainability (Yaron, Benjamin and Piprek 1997). If both outreach and sustainability have been enhanced then the intervention is judged to have a beneficial impact as it has widened the financial market in a sustainable fashion. This is based on the assumption that the institutional impacts will extend the choice of people looking for credit and savings services and that this extension of choice ultimately leads to improved microenterprise performance and household economic security. While this assumption can be supported by theoretical frameworks (if a set of further assumptions are made about perfect competition and other factors) it is an assumption which has proved invalid in a number of experiences (Hulme D., 1997, pp. 4-5).

We recall in regard to this point by Hulme (1997, p. 5) research (Mayoux, 1997, cit., in Hulme, 1997, p. 5) demonstrating to what extent some programs notwithstanding having good results in terms of reaching clients and repayment rates, have not had positive effects for instance on the emancipation of women. Another limitation of the intermediary school would be that: "it will not reveal borrower 'cross financing' of loans (Wiig 1997)

which may threaten the long term viability of an MFI" (Hulme D., 1997, p. 5) and therefore is unable to determine whether there are more loans from various financiers. The choice between these two schools is less one of ideology than of recognizing in each their strengths and weaknesses.

The intended beneficiary school makes fewer assumptions about the impact chain and is better able to distinguish 'who' benefits and 'how'. It is, however, demanding in both methodological and cost terms. The intermediary school usefully incorporates notions of sustainability and provides an IA methodological framework that can be operated largely with pre-existing data. It is, though, very weak on 'who' benefits and 'how' (...) (Hulme D., 1997, p. 5).

The Unit of Evaluation

Once the impact model has been chosen, the next step is to choose the unit of evaluation (or evaluation level).

Common units of assessment are the household, the enterprise or the institutional environment within which agents operate. Occasionally studies have attempted to assess impact at an individual level (e.g.; Goetz and Sen Gupta 1995; Peace and Hulme 1994), but this is relatively rare. More recently some studies have attempted to assess impacts at a number of levels, such as Hulme and Mosley (1996) who looked at microenterprise, household community and institutional levels (...) (Hulme D., 1997, p. 5).

For every diverse choice regarding the level (or unit) of evaluation there are studies analyzing the advantages and disadvantages that the choice involves (Hulme D., 1997, p. 6, Table 1).

Type of impact

The variables that can be identified to evaluate the impact on various units are very numerous:

Conventionally, economic indicators have dominated microfinance IAs with assessors particularly keen to measure changes in income despite the enormous problems this presents (...).

The social indicators that became popular in the early 1980s (e.g.; educational status, access to health services, nutritional levels, anthropometric measures and contraceptive use) have recently been extended into the socio-political arena in an attempt to assess whether microfinance can promote empowerment (Mayoux 1997; Goetz and Sen Gupta 1996; Schuler and Hashemi 1994; Hashemi et al. 1995). This has led to the measurement of individual control over resources, involvement in household and community decision-making, levels of participation in community activities and social networks and electoral participation. The bulk of this work has focused on gender relations, but there are sometimes partially-formulated assessments of class relations within it (Fuglesang and Chandler 1993). These extensions to the types of impact assessed permit IAs to be more sophisticated and to shed light on developmental impacts at a time when the goals of development have also been extended. They do add, however, to the complexity of IA work and require the skills of assessors who are experienced at making judgements on social relations (Hulme D., 1997, p. 7).

Further, the specific methods with which one can conduct an impact evaluation consist of various types but currently there is a search for new ad hoc solutions, for mixed and pluralistic approaches.

The commonest methods used in impact assessment are sample surveys, rapid appraisal, participant-observation, case studies and participatory learning and action (...). Over the last decade impact assessment studies have increasingly moved away from

single method approaches (e.g.; Hossain 1998; Fuglesang and Chandler 1986) to mixed or pluralist approaches (e.g.; Hulme and Mosley 1996; Mustafa et al. 1996). Recently the methodological menu has been extended with the introduction of participatory learning and action (PLA) and participatory impact assessment (PIA). The choice facing microfinance IAs today is not 'what method should we choose', but 'what mix of methods should we choose and should we combine them?' (Hulme D., 1997, pp. 7-8).

There are difficulties associated with method that can be identified in various directions (Johnson S., Rogaly B., 1997, p. 74-75). For example, in the construction of *control groups*:

It is very difficult to establish what would have happened in the absence of a loan. For quantitative analysis a control is required: a sample of people, similar in every other way, who have not received a loan, compared with a sample who have. As well as being costly and time-consuming, to establish a perfect control is virtually impossible (Johnson S., Rogaly B., 1997, p. 74-75).

Overall, among scholars of microcredit impact, we can identify three diverse approaches (Hulme D., 2000, p. 79) laid out along a continuum: at one extreme there are those authors holding a positive evaluation of microcredit, at the opposite extreme those holding a negative evaluation of its impact, and in an intermediate position, among whom we find Hulme himself, are authors that recognize the positive aspects but remain critical regarding the starting point of the debate: they argue that microfinance fails to meet the goal of reaching the poorest people.⁶

As the techniques of evaluation become more sophisticated, the approaches and points of view become differentiated and interwoven. The debate is an ample one and involves not only theorists, experts and donors, but also program administrators, national and international organizations, governmental

and otherwise. Every choice brings up political, economic and social questions: to prioritize various aspects, to weigh factors and requests in relation to these, can produce dissatisfaction for one or another of the various subjects involved. To use economic indicators rather than social ones, or technical indicators rather than political ones, will carry weight in the choices of donors, planners, and politicians. For some humanitarian organizations, the number of poor reached can be a good indicator of impact; for those responsible for the financial management of an intervention, for example the administrators of an MFI, a balanced budget or one in the green demonstrating the self-sustainability of the initiative will be an excellent indicator of impact; for those, including some donors, who favor changing the traditional social structure into a new, more "modern" social formation, one more functional to developing productive initiative in the country, the transformation of social organization and of the related values will be a good indicator.

It will not be lost on some that those in the position to evaluate, through organizations that support the programs, represent interests (for example donor's representatives along with representatives of national government).⁷ More difficult to identify are those who are not present in the evaluation organisms, from which comes the need to find more adequate forms of representing the very poorest. Demanding the need to use "a different paradigm," authors such as Susy Cheston and Larry Reed (Cheston S., Reed L., 1999, p. 5) state:

- We want tools that:
- provide analysis of trends over time
- provide results that can be compared with previous impact data
- can be implemented by existing staff with a limited role for outside experts
- become part of the regular information system of an institution

cost no more than what it costs to track and audit financial information (Cheston S. Reed L., 1999, p. 5).

Criticizing the use of indicators of financial efficiency, such authors argue for the need for other forms of impact measurement. They call for methods that are not only more precisely focused at the users of the programs, but also formulated by these users, used and corrected in the course of their activity, with a minor role played by outside experts. With such alternative criteria, according to these authors, it is possible to also reduce the distance between *impact monitoring* and *impact assessment*.

These criteria tend to blur the lines between impact monitoring and impact assessment. Impact monitoring is the assessment of the performance of a project against its internal targets by gathering information on a regular basis—on-going or current. It can be useful for such management decision as whether or not clients can handle larger loans. Impact evaluation is assessment of a project against its main objectives at a particular point—retrospective. It brings intentionality to the question of whether we are fulfilling our mission, and how we might make mid-course corrections. Our view is that these need not be seen as distinct activities, but rather as two necessary components of an ongoing impact auditing system (Cheston S. Reed L., 1999, p. 5).

They have reached very critical conclusions. Intervening in the debate preceding the Microcredit Summit, held in Abidjan in 1999, they argued that:

After all, credit is a two-edged tool. To a borrower, credit means debt, and debt can destroy as easily as it can build. If we seek to help people lift themselves out of poverty, we will want to know that they were poor when they started borrowing and they were less poor as result of borrowing. We don't want to see them stuck, cycle after cycle, earning low returns. Just

knowing that we increased the debt of 100 million people will not tell us that we accomplished what we set out to do, even if we delivered that debt in a financially viable manner (Cheston S., Reed L., 1999, p. 2).

In other words, it is not accepted universally that reaching the poor requires as its other face financial self-sustainability: even if everything goes as planned it is possible to find out in the end that the result is a society of indebted people. It is this preoccupation that led to the call for using the right tools to evaluate the right goals:

Using profit and loss to measure the impact of microcredit is like using a speedometer to measure the temperature (Cheston S., Reed L., 1999, p. 3).

Notes

1. On the development of microcredit methodologies, see Waterfield, C., Duval A., (1996), CARE Savins and Credit Sourcebook, pp. 85-92.
2. "The Sixteen Decisions help give meaning and purpose to the lives of our Grameen members. They make Grameen a closer part of the borrowers' lives than it would otherwise be. The Sixteen Decisions are as follows:
 1. We shall follow and advance the four principles of the Grameen Bank – discipline, unity, courage and hard work – in all walks of our lives.
 2. Prosperity we shall bring to our families.
 3. We shall not live in a dilapidated house. We shall repair our houses and work towards constructing new houses and earliest opportunity.
 4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.

5. During the plantation seasons, we shall plant as many seedlings as possible.
6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
7. We shall educate our children and ensure that we can earn to pay for their education.
8. We shall always keep our children and the environment clean.
9. We shall build and use pit-latrines.
10. We shall drink water from tubewells. If it is not available, we shall boil water or use alum to purify it.
11. We shall not take any dowry in our son's weddings, neither shall we give any dowry in our daughter's wedding. We shall keep the center free from the curse of dowry. We shall not practice child marriage.
12. We shall not commit any injustice, and we will oppose anyone who tries to do so.
13. We shall collectively undertake larger investments for higher incomes.
14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.
15. If we come to know of any breach of discipline in any center, we shall all go there and help restore discipline.
16. We shall introduce physical exercises in all our centers. We shall take part in all social activities collectively.

Local branches of Grameen also take local decisions which deal with problems in their own areas." (Yunus M., 1999, p. 115-116)

3. The Poverty Measurement Discussion Group of the Microcredit Summit Campaign was held in 1997. More than 700 people took part in a process that produced applicable tools at a very low cost.
4. In the article by Nan Dawkins Scully entitled *Microcredit: No Panacea for Poor Women*, the author refers to Java Aranachulum (the Working Women's Forum, India) reporting that, "Microcredit will never be the only solution for poverty, especially when it

comes with exorbitant interest rates (which) create a debt burden on the poor."

5. See the ILO text, *Women in the Informal Sector and their access to Microfinance* of April 1998, for references and citations that shed light on these contradictions (Sebstad J., and Chen G., 1996, op. cit. in ILO 1998, p. 6).
6. In the article by David Hulme (Hulme D., 2000, p. 79) we find cited as representative of each of the three approaches the works of
 - (a) Holcombe S. (1995), *Managing to empower: the Grameen Bank's experience of poverty alleviation*. London: Zed Press; Hossain M. (1988), *Credit for alleviation of rural poverty: the Grameen Bank in Bangladesh*. Washington, DC: IFPRI; Khandker S.R. (1998), *Fighting Poverty with microcredit: experience in Bangladesh*. Washington, DC: Oxford University Press for the World Bank; Otero M. & Rhyne E. (1994) *The new world of microenterprise finance*. London: IT Publications; Remenyi J. (1991) *Where credit is due*. London: IT Publications; Shuler S.R., Hashemi S.M., & Riley A.P. (1997). *The influence of women's changing roles and status in Bangladesh's fertility transition: evidence from a study of credit programs and contraceptive use*. *World Development*, 25 (4), 563-576.
 - (b) Adams & von Pischke (1992) *Microenterprise credit programs: Déjà vu*. *World Development*, 20, 1463-1470; Buckley G. (1997) *Microfinance in Africa: Is it either the problem or the solution?* *World Development*, 25 (7), 1081-1094; Montgomery R. (1996). *Disciplining or protecting the poor? Avoiding the social costs of peer pressure in microcredit schemes*. *Journal of International Development*, 8 (2), 289-305; Rogaly B. (1996) *Micro-finance evangelism, destitute women and the hard selling of a new anti-poverty formula*.

Development in Practice, 6 (2), 100-112; Wood G. & Sharrif S. (1997) *Credit where credit is due*. Dhaka and London: UPL and Zed Press.

- (c) Hulme D. & Mosley p. (1996) *Finance against poverty*, Vols 1 and 2. London: Routledge; Mosley p. & Hulme D. (1998) *Microenterprise Finance: is there a conflict between growth and poverty alleviation*. World Development, 26 (5), 783-790.
7. We can mention the Impact Evaluation carried out in Eritrea on the Saving and Credit Program/Eritrean Community Development Fund and jointly commissioned to a consultancy by the World Bank and the government.

CHAPTER TWO:

ERITREA: ENVIRONMENT, POPULATION, DEVELOPMENT, CONTINUING EMERGENCY

THE LAND, THE CLIMATE, THE ENVIRONMENT

Eritrea, in the northeast region of the African continent, the Horn of Africa, lies between the Red Sea (over 1000 kilometers of coastline, with the beautiful Dahlak archipelago form of around 300 islands), Sudan, Ethiopia, and Djibouti. With a total surface area of 125,700 square KMs, it consists of three principal geographic areas: the central high plains, the eastern plains, and the western plains (MAE and ISIAO, 2000, p. 22)¹.

The central high plains, with a median altitude of around 2,000 meters above sea level, descends rapidly toward the sea, to the east, until it reaches the eastern plains (which has a median altitude of 500 meters above sea level). Further to the south lies the Dancalia desert, at 100 meters below sea level. To the north and east, the central high plains decline more gradually, giving way to the western slopes, a chain of mountainous reliefs that divide the high plains from the western plains (with an average height of 1000 meters above sea level). The climate is favorable on the high plains and the western slopes while it is torrid on the lowlands and the costal zone.

On the central high plains the temperature oscillates between a maximum of 18 degrees and 30 degrees Celsius in the hottest month (April) and a minimum of only a few degrees above zero during December nights, the coldest month. The months of July and August are those of the greatest rains, characterized by

sudden and daily storms, while, between April and May, the rains fall more lightly and persistently, in a small drizzle.

The eastern slopes are the most fertile part of Eritrea, taking advantage of both the summer rains from the high plains and the winter ones from the coast, while the temperature is nearly always Spring-like. On the eastern plains instead, the climate is very hot, humid, with little precipitation between November and February. The average temperature is between 30 degrees and 45 degrees Celsius. The Dancalia is one of the hottest deserts on Earth, the climate is extremely dry, precipitation is absent and the temperature reaches 70 degrees Celsius.

The western plains, instead, is an arid and dry savannah that announces the approach of the Sudanese desert. Rain is scarce and the temperature has notable changes varying from 20 degrees to 50 degrees C. in the summer. Altitude and rain determine the rhythms of sowing and harvest and determine as well to a great extent the way of life of the people. On the high plains, sowing takes place in May, when the period called "aiet" begins, while harvest occurs in Autumn, during the weeks known as "keuwi". With the exception of the Setit, which is a perennial river, the other bodies of water have seasonal courses (MAE and ISIAO, 2000, p. 22). Over the last century, the natural resources of Eritrea have undergone a serious deterioration. The problem has grown more severe during the thirty years of the War of Liberation. Eritrea, once fertile and cultivable land, with rich soil and forests, consists now mostly of rocky surfaces due to the progressive degradation of the soils that affects around 50% of the entire land surface. "The critical environmental conditions have over time resulted in a reduction of agricultural and pastoral productivity thereby increasing the internal migrations of the population, already provoked by war" (MAE and ISIAO, 2000, p. 22).

A DIVERSE AND COMPLEX SOCIETY

No general census has yet been carried out, but it is estimated that the population of Eritrea consists of 3, 290, 000 inhabitants (United Nations, 2000b, p. 3). The principal urban centers are Asmara, the capital, situated on the central high plains, Massawa and Assab, the two principal ports, Mendefera and Keren, respectively to the south and the north of the capital, Agordat and Barentu in the western most region. Of the total population, 18.7% is urban (UNDP, 2002). Historically, cities did not exist in Eritrea. The traditional settlement is rural. Agriculture was largely directed toward the self-sufficiency of the villages, with the sole exception of the coastal areas, where "(...) for centuries Massawa was the principal center of commercial exchange between the African Continent and the Middle East" (MAE and ISIAO, 2000, p. 22).

Eritrea is an example of human society, of cohabitation, in a relatively circumscribed territory, by diverse cultural and linguistic ethnicities. For the most part the various populations have mixed together among themselves, influencing each other reciprocally, and the religions, languages, and traditions have often inextricably mixed together as well.

The principal ethnic groups

There are nine principal ethnic groups that populate the country (MAE and ISIAO, 2000, p. 31):

The Tigrinya are the most numerous community (around 50% of the population). They speak the Tigrinya language, a language that, until the middle of the last century, was only spoken, as the Ge'ez alphabet was reserved for the Coptic clergy. The prevalent religion is Coptic Christianity. The most common economic activity is permanent agriculture. The Tigrinya are culturally tied to the land; their tradition is centered on the village and on the small community.

The Tigre are descended from peoples who arrived from the Arabian Peninsula around 1100 c.e., and represent about 31% of the Eritrean population. They speak the language Tigre, which preserves, more than does Tigrin, the character of ancient Ge'ez. The two languages, Tigre and Tigrin, are distinct, but have some resemblance to each other that renders them mutually comprehensible. The population, which is prevalently Muslim, holds aristocratic traditions according to which authority is concentrated in the hands of the village chief and transmitted through heredity. Herders and farmers, nomads and seminomads, the Tigre live throughout the plains, from the Sudanese frontier to the Dancalia.

The Saho (5% of the population) are dedicated to herding and live near the southeast border of the high plains, at the northern margins of the Dancalia Depression. They are a mix of populations held together by language. They are predominantly Muslim and the women often go veiled.

The Afar (another 5% of the population) are the loan inhabitants of the Dancalian Desert. The word "Afar" means "free". Breeders, herders, fishermen, salt merchants, the Afar are a nomad population originally from the Arabian Peninsula and today live on horseback between Djibouti, Ethiopia and Eritrea. In Eritrea they live between the Gulf of Zula and the southern regions around Assab, in small groups, in nomad encampments. They have few permanent villages. They are predominantly Muslim.

The Beja (2.5% of the population) are the descendants of the peoples that for five centuries, after the collapse of the kingdom of Axum, populated the lands of the northwestern plains. They are nomads, Muslims, breeders, already famous in the ancient world as camel riders, with a well-defined social organization and rooted tradition.

The Bilen (2.5% of the population) live in the city and the region of Keren and are permanent farmers. Predominantly Muslim since the middle of the 19th century, some became Christians, Catholics, Coptics or Protestants beginning with Italian domination.

The Kunama (2% of the population) are one of the most mysterious peoples of Eritrea. Of Nilotic origin, already known in the time of the Egyptian Pharaohs, they have for centuries lived in the Gash river Valley, in its main center of Barentu, on the road toward the Sudan. Although, around the middle of the 19th century they were estimated at more than two hundred thousand, the organized census carried out by the Italians in 1905 found them to number only 12, 236. Originally animists, the Kunama were mostly converted to Christianity by the work of Catholic missionaries. Their language is Baza, a spoken language, later written down in Latin characters. The relationship to the Divine is entrusted to influential elders. The society is patriarchal, but has matrilineal traditions: the bloodline and heredity are established on the female line, even if the final beneficiary is the woman's uncle. The prevalent economic activity is agriculture. The elders and the village assembly are the recognized authorities.

The Nara (1.5% of the population), like the Kunama with whom they are strongly intermixed, come from the Nile region. Their customs and habits are similar among the two groups, both agricultural. The principal differences consist in the fact that the Nara went from animism to becoming Muslim, and that, unlike the Kunama, they have integrated Tigre and Beja influences.

The Rashaida (0.5% of the population) descend from populations that arrived from the Arabian Peninsula around the middle of the 19th century. They are a nomadic people, Semitic, heirs to the rigorous Bedouin traditions, Orthodox Muslims. They live in encampments in the coastal zone. They differentiate themselves from the rest of the population also in that according to their traditions marriage can take place only between women and men of the same clan. They are breeders of goats and camels and are merchants that trade from one coast to the other of the Red Sea. The women are concealed by the "Burqa" (which they begin to wear at 5 years old), and, if married, by the "Arusi", a bejeweled mask.

The Working Environments

Such a differentiated situation regarding population and territory has been transformed for working people into an opportunity for international cooperation in three distinct “working environments” (MAE e ISIAO, 2000, p. 31).

- The first working environment is constituted by the Eritrean high plains mainly inhabited by the Tigriyan population and by groups of Saho and Tigre, corresponding largely to the regions of Maekel and Debub. The cultural identity is centered on the management and control of one's own territory based upon collective property in land (enda) regulated by norms of common rights. Social organization is based on community rather than family ties.
- The second working environment consists of the semiarid areas of the western and eastern plains, where the population is nomadic and semi-nomadic, population density is low, the economy is pastoral. In this environment, situated to the west in the region of Gash-Barka and to the east in the Southern Red Sea and Northern Red Sea regions, the ethnic groups present include the Afar, the Saho and the Beja. Social organization is based on clan ties, the settlements are dispersed across the territory and have a seasonal character.
- The third working environment includes all of those areas where settled and semi-settled ethnic groups live, basing their cultural identity on family ties and relying on a mixed agricultural-pastoral or solely agricultural economy. These include parts of the Gash-Barka region and the region of Anseba. The ethnic groups are Tigre, Bileni, Kunama, and Nara. Social stability is determined by the relations of power between the various groups and founded upon family relations.

MODERN HISTORY

The destiny of Eritrea, at the end of the colonial period, was decided by a resolution of the General Assembly of the United Nations. Following the resolution, Eritrea became, in 1952, an autonomous unity federated with Ethiopia (United Nations, 2000b, p. 2). In ten successive years, during the rule of the Emperor Haile Selassie, Ethiopia progressively weakened the autonomy of Eritrea, reducing it to a province of Ethiopia (1962). The international community took no position on this violation of the UN resolution (Papstein R., 1991, p. 6; Habte Selassie B., 1989, p. 148).

The political parties were dissolved, freedom of the press cancelled, the Amharic language was imposed by the ethnicity in power in Ethiopia. The Eritrean people were considered a "minority", along with other minorities different from the Amhara, that were present in Ethiopia (Papstein, R., 1991, p. 6). The Eritrean People's War of Independence began in 1961 and lasted 30 years, concluding in 1991, with the fall of the Ethiopian regime of Menghistu Haile Mariam, which had carried out a military coup d'état in 1974, putting an end to the millenarian imperial dynasty (Connel D., 2002, pp. 19-43).

In the course of the 30-year war of independence Eritrea suffered a human tragedy and a socio-economic devastation of immense proportions (United Nations, 2000b, p. 2). Tens of thousands of persons died and a great number of Eritreans were forced to emigrate to other countries (United Nations, 2000b, p. 2). The resistance movement to the annexation by Ethiopia grew quickly. In the early years it fragmented into diverse groups, sometimes opposed to one another, but which in the end were able to hold together a substantial unity in the Eritrean People's Liberation Front (Papstein R., 1991, p. 7).

Women had a particular role to play during this war. The resistance against the Ethiopian occupation shattered the traditional world; in the strongholds of the front, every distinction

of sex and religion was thrown out and there was a powerful movement towards equality of rights. In 1973 the first women became guerillas; thousands of young women followed, eventually constituting 30% of the guerilla fighters (NUEW, 1999, p. 12). These often carried out active and combat tasks, beyond traditional professional activities and services, as well as providing leadership (Papstein R., 1991, p. 125). In 1976-77 the first women's associations were formed at the village, district and regional levels, and in June 1979 the National Union of Eritrean Women was born (Papstein R., 1991, p. 129; Gebremedhin T.G., 2002, pp. 213-226; Connel D., 2002, pp. 113-124). In 1977 the Eritrean People's Liberation Front published a plan of action that indicated the legislative, political and economic changes necessary for greater gender equality. The approach was founded on persuasion more than on imposition, valorizing those models that tended in such a direction among the local cultural models, discouraging those that tended to go in contrary directions (NUEW, 1989, p. 7).

All of us, mothers and fathers, are struggling together for our rights and for the next generation. They will have the right to chose and be chosen, the right of education, the right of speaking and criticizing. That's why we are fighting for independence – not only against the Ethiopians but also against the traditions which have oppressed us (Papstein R., 1991, p. 120).

During the long war the Liberation Front had to count exclusively on its own strength, financing itself by regular contributions sent by Eritrean refugees from abroad (Papstein R., 1991, p. 8-9). At least a third of the Eritrean population lived in the hardest years of the war in exile, and from there politically and economically sustained the resistance; many women worked abroad as domestics, many young people sought to escape the Ethiopian military draft.

From April 23 to 25, 1993 a popular referendum was held on the independence of Eritrea, under the aegis of the United Nations,

when recognition of the right to self-determination of the Eritrean people was sanctioned by the Conference on National Reconciliation held in Addis Ababa in 1991. 99.8% of Eritreans voted for independence and on 24 May 1993 the birth of the State of Eritrea was proclaimed (MAE and ISIAO, 2000, p. 22).

The length and pain of the war of liberation, beyond the damage caused by recurring drought, hardship, and population exoduses, brought the country to a state of grave crisis: the economy was damaged in every sector, there was a vast ecological degradation, and an institutional, social and cultural fragmentation (MAE and ISIAO, 2000, p. 23). Thirty years of struggle for liberation had, however, created a strong solidarity among the diverse ethnic and cultural groups (United Nations, 2000b, p. 4), faith in their own self-sufficiency and in the possibility of constructing an autonomous and original form of development widely shared at the grassroots (Papstein, R., 1991, p. 9). Perhaps also for this reason, the end of the war saw a rapid start to reconstruction and a progressive revival. Eritrea enjoyed, from 1991 to 1998, a period of relative stability during which important aspects of the construction of the institutional system of the new state were brought into being (MAE and ISIAO, 2000, p. 23).

In May 1998, a new violent conflict with Ethiopia arrested this process and brought new destruction and more deaths. The conflict was over the borders between the two countries (Legesse A., 1999, p. 1) together with the historical baggage of unresolved political problems, resulting in fighting with tens of thousands of deaths and a new humanitarian crisis of huge proportions. The Eritrean Relief and Refugees Commission (ERREC) and the Information Coordination Center (ICC) estimate that the number of internally displaced people rose from 266,000 in January 2000 (ERREC, 2000, p. 3) to more than 1,100,000 in June of the same year (United Nations, 2000a, p. 7). Most of these found refuge in the temporary refugee camps, and later found various solutions such as gradually returning home, as

the area of fighting became more restricted or finding hospitality among local populations. In November 2000 there were still 24 camps in existence with about 200,000 persons living in them and it was estimated that there were about 100,000 people uprooted living outside the camps as well (ICC, 2000, p. 1). To this number must be added the 75,000 residents of Ethiopia of Eritrean descent who were expelled from Ethiopia and deported to Eritrea in the course of the last two years (MoLHW, 2000, p. 1). The new armed conflict, which caused new destruction and loss of harvests, ended December 12, 2000 with the signing in Algeria of the peace accord, and the creation of a security zone protected by an international peace force.

On April 13, 2002 the work of the Commission for defining the borders, based on the Algerian peace accord, concluded with a resolution that defined the area pertaining respectively to Ethiopia and Eritrea, of the contested territories, drawing borders that would be respected by both states. In the current phase, a new period of reconstruction is beginning and the uprooted population is gradually returning home; The Eritrean government is starting the demobilization of 200,000 soldiers and their return to civilian society.

THE INSTITUTIONAL PROFILE AND INTERNATIONAL ACCORDS

From the Referendum to the new Constitution

With independence, the system of norms and regulations that was begun during the war of liberation formed the country's legislative and institutional backbone. Eritrea had built its own legislative and institutional forms and assets according to its own specifications. From the Referendum for independence in 1993 until the adoption of the new Constitution in 1997, the regulatory and governmental forms of the "Derg", modeled on a centralized planned economy, were gradually replaced by a new political-administrative and juridical apparatus (MAE and

ISIAO, 2000, pp. 84-85).² In doing so, the Eritrean government, while taking advantage of foreign expert advice, and of financial help from international organisms, declared that it was nevertheless at all times keeping

a view toward declared decisional autonomy, seeking to anchor institutional and legislative transformations to the specific social, economic, and cultural conditions of the country, being watchful of adhering uncritically to models and formulae applied elsewhere (MAE and ISIAO, 2000, p. 86).

The Land Proclamation of 1994

In 1994, the Land Proclamation³ established the means of assigning and granting rights to the use of the land, recognizing equal rights between men and women. The land cannot be bought or sold in Eritrea: property in all land is Government domain, and the state grants to Eritrean citizens that request it the right to utilize the land through the Commission on Land Reform (art.3). For foreigners the authorization of the President of the State is necessary (art.8).

The Investment Proclamation of 1994

The Investment Proclamation also dates from 1994. This regulates the freedom of investment, of commerce and importation, defines the system of land allocation, and the taxing of profits. With this act, the Eritrean Investment Center was created, with the objective of promoting local and foreign investments in the country. With this law, the previously existing requirement of Eritrean co-participation in all investments was ended: a project could henceforth consist completely of foreign investors. "It declares that 'all areas of investment must be open to all investors' (art.5.1), further creating a series of investment incentives (articles 8-11), the possibility of re-exporting capital and utilities (according to the conditions in article 12), along with guarantees against nationalizations, confiscation and expropriation" (Favali

L., 1998, p. 172). The projects must be approved by the Eritrean Investment Center, based on guidelines that include preliminary investment negotiations with the competent ministers for the area of interest for the specific project. Further, projects must contain a plan for training Eritrean personnel with the goal of replacing, in time, any foreign workers with local ones, and also must not have any negative environmental effects on the local situation. The first foreign companies to invest in the country were South Korean, Chinese and US, followed by Canadians and South Africans. In 1996 Italy and Eritrea signed a bilateral agreement on investments (US Department of Commerce, 1998).

The Proclamation for the Establishment of Local Governments of 1996

In 1996 the Proclamation for the Establishment of Local Governments was approved; a law on decentralization that substantially modified the representative system and administrative organization of the State. "It provides an ample decentralization of competence and public powers in order to encourage popular participation resting on forms of traditional representation (*Baito* and *Megabaaya*)" (MAE and ISIAO, 2000, p. 23).

Traditional society had a representative system in the form of Councils, whose members were elected by the local community. The law on decentralization formally recognized these councils and instituted three decentralized levels of government: Region, Sub-Region, Village/Area. Six Regional Administrations (*Zoba*) were created: Anseba, Debub, Gash-Barka, Maekel, Northern Red Sea, and Southern Red Sea (Cfr.All. 7a). Government in the region (*Zoba*), in a certain number of cities and in the District (Village/Area or *Kababi*), consisting of a number of villages which vary according to the characteristics of each geographic area, consists respectively of three organisms with legislative, administrative and judicial powers. The regional council is called *Baito*, at the district level it is called *Megabaaya*. Provinces (*Sub-Zoba*) have only administrative and judicial powers. In the rep-

representative organs 30% of the positions are reserved for women (MAE and ISIAO, 2000, p. 23).

The Bank of Eritrea Proclamation and the Financial Institutions Proclamation of 1997

The financial system, regulated by the Bank of Eritrea Proclamation and by the Financial Institutions Proclamation promulgated in April 1997, consists of the Bank of Eritrea (the Central Bank that has the role of Issuing Bank, monetary policy authority, and of supervision of the financial system), the Commercial Bank of Eritrea, the Housing and Commerce Bank owned by the Popular Front for Democracy and Justice, the governing party, the Eritrean Development and Investment Bank and the National Insurance Corporation. All of these institutions are public with the exception of the Housing and Commerce bank (MAE and ISIAO, 2000, p. 24). Since November 1997, Eritrea has its own currency (Nakfa) replacing the Birr, which was the common money of Eritrea and Ethiopia.

After the strict public control of the economy that had characterized the years of the Menghistu regime, the government began a series of measures meant to reinforce the role and capacity of the private sector. To the public sector was assigned the role of catalyst with the task of creating an appropriate context for private investments through the building of infrastructure, the adoption of an adequate legislative environment and sustaining strategic sectors such as fishing, mining and telecommunications (MAE and ISIAO, 2000, p. 25).

In the process of reforming the state and in the context of rationalization and increasing efficiency of public spending, the number of public sector workers was reduced, in 1995, by 15,000 all told" (MAE and ISIAO, 2000, p. 85).

The Constitution of 1997

The Eritrean People's Liberation Front (EPLF), which has governed Eritrea since the end of the war, became a political party in 1994: the Popular Front for Democracy and Justice (PFDJ). The new Constitution, ratified in May 1997, provides for a plurality of parties and the election of a new National Assembly. This constitutional provision was not carried out however, because the elections scheduled for 1998, were postponed due to the state of war in the years 1998-2000 which also caused a slowing of the process of institutional reform (MAE and ISIAO, 2000, p. 26). Currently, the State of Eritrea is governed by the Council of Ministers (executive power) consisting of 17 ministers (two women ministers – the Minister of Justice and that of Labor and Human Rights). The President of the State is the head of government. The legislative power is held by the National Assembly, composed of 150 members of whom 33 are women. The judicial power operates independently of the other two branches and is organized in a system of Courts at the village, sub-regional, regional and national levels (NUEW, 1999, p. 2, 16).

International Conventions

From the year of the proclamation of independence, Eritrea became a member of the United Nations, of the Organization of African Unity and of the Convention of Lome'. The State of Eritrea was further a signatory to the following human rights International Conventions (UNDP, 2000; NUEW, 1999, p. 6):

- The Convention on the Elimination of All Forms of Discrimination Against Women of 1979;
- The Convention on the Rights of the Child of 1989;
- The International Covenant on Economic, Social and Cultural Rights of 1966;
- The International Covenant on Civil and Political Rights of 1966.

Eritrea also adheres to the following International Conventions on the rights of labor (UNDP, 2000; ILO, 2000):

- Freedom of Association and Protection of the Right to Organize Convention of 1948;
- Right to Organize and Collective Bargaining Convention of 1949;
- Elimination of forced and compulsory labour, Conventions of 1930 and of 1957;
- Equal Remuneration Convention of 1951;
- Discrimination (employment and occupation) Convention of 1958;
- Minimum Age Convention (for admission to employment) of 1973.

International Interventions for Eritrean Development

In order to accomplish the realization of the guidelines for national development, international intervention has also been taken place, conducted primarily through multilateral accords. Beginning in 1993 The Recovery and Rehabilitation Programme for Eritrea (RRPE) was officially ended in 1996. The program was coordinated by the World Bank, and involved Italy as a major donor; it sought to "confront the many and relevant problems posed after the long period of war" including "reconstruction not only of the productive apparatus and of infrastructure, but also of the social and institutional components of the country" (MAE and ISIAO, 2000, p. 55-56). One of the components of the RRPE is the Eritrean Community Rehabilitation Fund (ECRF), created to co-finance reconstruction initiatives promoted by the local communities. The experience acquired through the ECRF flowed into the formation of the Eritrean Community Development Fund (ECDF) which has been financed, since 1996, by credits provided by the World Bank and by contributions from other donors, including Italy, Belgium and The Netherlands. The European Union finances, through the 7th European Develop-

ment Fund, the realization of the first Eritrean National Indicative Program, underwritten in 1994, which

constitutes also one of the prime programmatic documents, geared to the sphere of activity of international cooperation for the development of the country (...) and is above all meant to sustain development of the infrastructure sector (...): transport, water provision and electrification (MAE and ISIAO, 2000, p. 61).

From 1998 on, following the situation of war, the European Community Humanitarian Office (ECHO) began emergency interventions in favor of uprooted and deported populations. The United Nations Agencies operated in Eritrea on the basis of the contents of the Country Strategy Note, published by the Eritrean Government in 1998, which, while recognizing the heavy contribution by the United Nations to Eritrea in the preceding years, identified institutional reinforcement as a central need:

The Government of Eritrea wants the UN Agencies to assist Eritrea, within the limits of their spheres of competence and mandate, in strengthening national institutional and human resources capacity. These are essential areas of intervention to attain a self-reliant sustainable national development (Government of the State of Eritrea and the UN Development Agencies, 1998, Foreword).

Further, a number of countries, through bilateral accords, have aided Eritrea's development during its various phases. Italy is among the prime donors, and beyond the aid already noted, it has begun relationships with the Eritrean government starting in January 1992 that include emergency interventions and contributions to the cost of carrying out the referendum for independence. In the years 1996-98 Italy further financed the Bridge Program of cooperation, aiding the transition from the emergency phase to the development phase. Other donor countries include:

The United States, through USAID, which is principally involved in food security projects, and in to a lesser extent, in health care, in sustaining rural enterprises and in the development of human resources at the institutional level;

- Germany, which has intervened in various sectors including financial assistance to the Commission preparing the Constitution;
- Norway, which also funded the Constitution Commission and also provided funds for the development of the National Statistical Institute;
- Denmark, which has concentrated in particular on education, agriculture and the management of natural resources;
- Sweden, Canada and Switzerland have also collaborated with Eritrea.

ESSENTIAL INDICATORS AND DEVELOPMENT OUTLOOK

Some Indicators

According to the scale developed by the UNDP (United Nations Development Program) Eritrea is listed among the countries with a Low Human Development. Of 173 countries classified, Eritrea, in the year 2000, was listed 157th, with a Human Development Index (HDI) of 0.421 (UNDP, 2002) (measured on a scale that goes from a minimum of 0 to a maximum of 1). Even given such low levels, the comparison with previous years (in 1994 it was 0.269) demonstrates that after 1994 the value of this index began to rise reflecting in part the rapid development of the country after independence (United Nations, 2000b, p. 4). Even so, the index for Eritrea still remains below the average for Sub-Saharan Africa (0.471) and below the average for the less developed countries (0.448)(UNDP, 2002).

Per capita income according to the most recent estimates of the World Bank is somewhere between 160 and 190 US dollars, making Eritrea one of the poorest countries in the world (World

Bank, 1996, p. 7). The productive system is primarily centered on family agriculture practiced on small allotments (MAE and ISIAO, 2000, p. 93). Agriculture remains the main source of income for 80% of the population even though the Gross Domestic Product is composed of 20% agriculture, 20% industry and the remaining 60% of the service sector, including many types of informal activity (State of Eritrea, 2001c, p. 15). With respect to three important indicators of the Index of Human Poverty (HPI1), the country's situation is as follows: 31.7% of the population have a life expectancy lower than 40 years, 44.3% of the adults are illiterate, and 54% of the population does not have access to potable water (UNDP, 2002). With respect to this last indicator, the Ministry of Local Government and the Ministry of Land, Water and Environment conducted a study finding that 73% of the families in urban areas have access to potable water obtainable with less than 15 minutes of effort, while this possibility is available to only 7% of the rural families (ECOSOC, 1999, p. 12). According to research conducted by the World Bank in 1993-94 and subsequently re-elaborated by the MAE (World Bank, 1996; MAE and ISIAO, 2000), "about 50% of the population in Eritrea is estimated to be poor" (World Bank, 1996, p. 7).⁴ "About sixty percent of the poor live in the rural areas of the highlands, the rest in the rural low lands (about 25%) and in the urban areas" (World Bank, 1996, p. 8).⁵

Such inequality in life chances are attributed, according to the United Nations, to the varied possibilities of access to cultivable land in the two geographic environments, taking into account the differing population densities (United Nations, 2000b, p. 8). The Eritrean high plains contain 20% of the country's land area with a resident population equal to 51% of the total national population, while the low plains area extends to 80% of the domestic land area with a population consisting of 33% of the total national population (MAE and ISIAO, p. 92).⁶

Further weighing on the grave situation of the poverty of the Eritrean people is the extremely limited access to social services. During the last years of Ethiopian colonial rule, Eritrea suffered from a total absence of public investments in that sector: "not a single school or health clinic was built during 1976-1991" (World Bank, 1996, p. 8).

Notwithstanding the improvement in some basic conditions accomplished after independence, the social indicators still remained at critical levels at the moment when the last conflict broke out (State of Eritrea, 2001c, p. 14). Life expectancy at birth was, in 1998, at 51.1 years (for men 49.6, 52.6 for women) (UNDP, 2000, p. 182). In 2000 the life expectancy at birth had risen to 52 years (50.6 for men, and 53.3 for women) (UNDP, 2002). The infant mortality rate in 1998 was 70/1000 and that of children under 5 years of age was 112/1000 (UNDP, 2000, p. 207). In 2000 these rates had actually worsened, standing respectively at 73/1000 and 114/1000 (UNDP, 2002). In 1995, the maternal mortality rate was estimated at 998 per 100,000 live births and the total fertility rate was 6.1 (4.2 in urban areas, and 7.0 in rural zones) (United Nations, 2000b, p. 3). By 2000 the total fertility rate had fallen to 5.7% (UNDP, 2002). In 1998, according to date of the Ministry of Health, following the improvement in health services, the maternal mortality rate was lowered to 330 per 100,000 live births (NUEW, 1999, p. 26). In the Report on Human Development of the UNDP published in 2000, the incidence of maternal mortality for the period 1990-98 is listed as 1,000 per 100,000 live births according to the most recently available data for the period (UNDP, 2000, p. 207) and it was 1,000 per 100,000 live births also in 2000 (UNDP, 2002). The maternal mortality in Eritrea has in any case remained at one of the highest levels in the world.

On the rank of Gender-related Development Index (GDI), Eritrea in 1998 reported an index of 0.394 (UNDP, 2000, p. 182), lower even than the Human Development Index (HDI) of the

same year of 0.408. In the year 2000, the Gender-related Development Index (GDI) was 0.410 (UNDP, 2002) and therefore slightly improved even while remaining lower than the overall Human Development Index (HDI) of that year which stood at 0.421 (UNDP, 2002). As far as Gender Empowerment Measure (GEM) is concerned, the country reported that in 1998 its index was 0.402, higher than its Gender-related Development Index (GDI); in other words, the condition of women from the point of view of access to political office, political participation, and to decision making process is more advanced (UNDP, 2000, p. 186).⁷

In 1995 malnutrition among children under three years of age was also found to be very high: 44% of such children was underweight, according to the Eritrean Demographic and Health Survey, the most recent health survey carried out nationally. Other estimates have since confirmed these data, reporting "rates ranging from 34% to 54% during the period from 1996 to 1999"(United Nations, 2000b, p. 17). A step forward has been made regarding education: the adult literacy rate was 51.7% in 1998 (UNDP, 2000, p. 215) (65.7% for men, 38.2% for women)(UNDP, 2000, p. 182), while by 2000 it had risen to 55.7% (67.3% for men, 44.5% for women)(UNDP, 2002). The net enrolment ratio in the school rose from 22.4% in 1991 to 33.3% in 1998/99 (but, for girls alone it was 21.8% in 1991 and 31.3% in 1998/99)(United Nations, 2000b, p. 22).

Poverty

The scarcity of arable land area where the largest population concentration is found and the precarious climate conditions as well as the isolation of vast areas have, without a doubt, a significant influence on the levels of rural poverty (MAE and ISIAO, 2000, p. 93). But particularly serious is the impact of damage caused by the war, such as lost harvests and destruction of soil. The expulsion of Eritrean residents from Ethiopia has recently impacted the levels of urban poverty. On the one hand, this led to the end of remittances and on the other it caused a burden

of hospitality on the part of the families living in cities through additional sharing of already stretched resources (MAE and ISIAO, 2000, p. 94).

Further, the fact that 45% of heads of household are currently women (World Bank, 1996, p. 8) is a condition linked to high risk of poverty. Thus in Eritrea, strategic clarity with respect to social policies of social reproduction requires beginning by addressing the conditions of women. The World Bank (1996), addressing urban poverty, found that the economic activities conducted by poor families were based upon

very limited technical ability and very low initial investments. It follows that the low productivity of these activities are in large part due on the one hand to an absence of professional and technical competence on the part of the adult individuals, and on the other to the scarce access to credit in the country (MAE and ISIAO, 2000, p. 93).

Meanwhile, while low productivity of poor families who produce for the market is relevant, it is in the pattern of investments, in the low technical training levels, and in the lack of access to credit, that we find the most important causes perpetuating the existing situation. Likewise, for the rural areas, the study commissioned by the Ministry of Local Government and Ministry of Land, Water and Environment (ECOSOC, 1999, p. 8), found that the means of overcoming poverty lay in creating forms of integrating farm income toward productive activity or complementary commerce. From this insight comes an opportunity to propose to the agricultural community adequate methods of accessing credit.

In the case of Eritrea, therefore, the major financial, research and planning institutions seek new openings in the credit system as a means of escaping poverty and promoting grassroots economic development. But identifying such a "means of escape" primarily through credit constitutes a point of debate nationally and internationally and an object of field experimentation. The

points of view often diverge when the various subjects of this development model express themselves, both as promoters and as intended beneficiaries. Some are oriented toward the need to install in the social environment requisites consistent with the assumptions of economic globalization. Others are more directly involved in dealing with the effects of such interventions on social reproduction.

Women and the Law

As far as women's conditions are concerned, the situation is complex (Gebremedhin T.G., 2002). The legislation introduced by the new State of Eritrea, the Constitution, and the revision of the articles of the Civil and Penal Codes assure equal rights. The Constitution prohibits every act that violates the human rights of women or limits or prevents their having a role and their participation in political, economic and social questions of the nation. The Civil and Penal codes protect the rights of women and gender equality before the law, particularly in the Family Law. Already in 1977 normative changes in this area were brought forward in the liberated zones, the same year in which the Congress of the Liberation Front was held (Wilson, A., 1991, p. 134).

The Ethiopian Civil Code of 1960 was modified and integrated with the norms of Proclamation n.2 of 1991. The Proclamation inserted into the Ethiopian Code, sometimes replacing the old norms, sometimes adding the new onto the old, the text of the so-called Eritrean People's Liberation Front Civil Code (EPLFCC), elaborated during the war and applied in the zones that were gradually liberated from the Ethiopian occupation, by the efforts of the fighters of the Front. The Ethiopian Code was thus "renovated" and remained in use as the Transitional Civil Code of Eritrea (TCCE). Shortly after, new legislation and a new civil code were prepared, on which to found the future juridical system of Eritrea (Castellucci, I., 1998, p. 203).

Among the most important changes resulting were the following (NUEW, 1999, pp. 14, 38; Hodgkin p. , 1997, pp. 100, 101):

- Marriage is based on the free choice of the partners, and the consent of the relatives is not needed, a consent that was required in the past.
- Wives and husbands have equal rights and responsibilities within the family, while on the basis of the Ethiopian Code the husband was the sole head of the household.
- The paternity of a child outside of marriage is determined based upon evidence and the testimony of the mother.
- Payment of the bride price and the dowry are prohibited by law.
- The minimum age for marriage is set at 18 years.
- Eritrean citizenship is acquired by the children of Eritreans without distinctions between the parents (previously it was acquired only if the father was Eritrean, and was not in the case where only the mother was Eritrean).

Despite this, however, the situation in the community, especially the rural community, discriminates against women, assigning them subordinate positions. Varied as these are among the diverse cultures and ethnicities, the majority of the Christian and Muslim communities are characterized by a patriarchal family structure (Wilson, A., 1991, p. 7). Customary law, which continues to coexist with codified law (Castellucci, I., 1998, p. 204),⁸ negates in fact women's access to many social and economic areas. Further, many traditional practices of female genital mutilation remain widespread, even though prohibited by state legislation (World Bank, 1996, p. 30), and involve 95% of women (NUEW, 1999, p. 27).

The prospective for development. The National Economic Policy Framework and Program for 1998-2000 and the Transitional Economic Growth and Poverty Reduction Strategy of 2000.

After Independence, starting in 1991 the year of the country's liberation, the Eritrean economy saw an annual 6% growth rate (State of Eritrea, 1998, p. 5). The government's development policies were contained in the National Economic Policy Framework and Program for 1998-2000, formulated following a process of consultation between the central government, ministries, and local governments that successively included the World Bank and the International Monetary Fund. The plan was made public in March 1998 and discussed with the entire community of donors the following November. The program's title refers to the three-year period 1999-2001 (MAE and ISIAO, 2000, p. 50). Currently, as a strategic choice for economic revival and the reactivation of key sectors, the government is strongly oriented toward

(...) liberalization of the economic system, support for exports, improvement of human resources, infrastructure development, promotion of the private sector, safeguarding and recuperation of the environment, creation of an adequate institutional capacity (MAE and ISIAO, 2000, p. 50).

Stemming from a policy choice favorable to a liberal market economy and to support for a productive system oriented toward exports (MAE and ISIAO, 2000, p. 51; State of Eritrea, 1998, p. 11), certain social priorities were identified as a part of economic development. Among these were the reduction of poverty, the emancipation of women's conditions, environmental protection, as well as improvement of social justice and the formation of human capital.

The main areas of special emphasis in Eritrea's current economic development program are: (i) reducing the widespread urban and rural poverty and enhancing

social justice; (ii) enhancing the status and increasing the participation of women in development; (iii) accelerating human capital formation; and (iv) restoration, enhancement, and preservation of Eritrea's ecological integrity. The success of Eritrea's development efforts will depend on the real and measurable progress that will be made in each of these areas (State of Eritrea, 1998, p. 33).

With respect to the first of these priorities, which is of particular interest for this study, the relationship between accelerated economic growth and reduction of poverty is emphasized in the government's approach. The government further declares that it wants to initiate two policies, one for the short term, the other over the long term. The first, utilizing both government and private initiatives, is to meet the most immediate food needs of the poor, and provide access to some basic services. The second is oriented toward improving productive and occupational capacity through the creation of jobs and income generating activities.

Poverty reduction through economic growth and enhancement of social justice through empowerment and meaningful participation of the people are, therefore, the main goals of Eritrea's economic development strategy. The Government believes that these objectives can best be realized in the context of rapid and sustainable economic growth. In the short-run, it is necessary to ensure access to food and basic services by the poor through both government sponsored programs and private initiatives. In the long-run, the solution to poverty lies in increasing the productive capacity of the employable poor through education and training, and in generating suitable employment and income opportunities through sustainable economic expansion (State of Eritrea, 1998, p. 34).

The idea is to develop a productive acceleration in the more dynamic private sector, to accomplish a phase of entrepreneurial initiative (industrial, agricultural, in infrastructure and in ser-

vices) with relative occupational growth, while hoping to promote widespread income generating initiatives at the grassroots. This occupational policy sought to "correct" the massive layoffs (15,000 laid off in the public sector in 1995) that resulted from the rationalization of public spending and increased efficiency in the public sector in favor of a greater role for the private sector as opposed to the public. It also sought to involve the poorest parts of the population, urban and rural and the more remote regions in the economic development process.

Accordingly, the Government's poverty reduction and social justice enhancement strategy is based on securing opportunities for all citizens through accelerated and regionally balanced economic growth and encouraging participation by all members of the society in the process of development (State of Eritrea, 1998, p. 34).

One condition for the possible success of the development strategy drawn up by the Eritrean Government relates to the process of 'inclusion' of an increasingly large proportion of the population in productive activities and in the economic growth mechanism, and their gradual incorporation into the formal economy. The purpose of social inclusion – for which microcredit, services and consultancy activities could be adopted to facilitate implementation – is of crucial importance, not only because it is consistent with the strategic approach to pursue poverty reduction through economic growth and expansion, but also because it is fundamentally important for maintaining social stability and domestic security which, as has already been stated, are perhaps the main factors that Eritrea can use today to attract foreign investors. It is for this same reason that social cohesion must be achieved for development. Not only is social cohesion a value in itself, but it also demands specific poli-

cies geared to poverty reduction and fostering the social equity (State of Eritrea, 2000, p. 9).

These policies include in the processes of economic development the widest social sectors: groups traditionally at the margins or culturally excluded, meaning an enlargement of the productive base, involving groups as yet unmotivated by the incentives offered to enter. One gathers from the government's text that such processes must be accomplished by favoring grassroots economic processes in which popular income does not only or predominantly take the form of wages (industrial or services) but is rather income formed from thousands of different income generating activities. Thus, even the poorest populations living in the informal interstices of the economy, or who live in the subsistence economy, often completely outside the money economy, will be induced to enter into more formal and normative activity. Microcredit will become, according to the government plan, a transmission belt for enlarging the social base of economic development and for increasing social stability and domestic security as factors for attracting foreign investment. These orientations as indicated in the 'National Economic Policy Framework and Program' of 1998, were subsequently updated in the document 'Transitional Economic Growth and Poverty Reduction Strategy', presented in September 2001 by the Eritrean Government to its development partners and to representatives of the private sector. In general it confirmed the positions stated above with an emphasis on reactivating social services and completing the institutional reforms.

The government's immediate priorities, covering 2001-02, are to rebuild the economy, restore social services and complete the economic and political reforms initiated before the conflict began. For the medium term, 2003-05, government's overarching objectives are to attain rapid, sustainable, widely shared economic growth and reduction of poverty in an environmentally sound manner, led by a dynamic private sector (United Nations, 2002, p. 17).

Notes

1. An excellent introduction to Eritrea is the handbook, unfortunately not yet translated from the Italian original, Semplici, A., (1997).
2. "With the coming of independence, formally sanctioned by the referendum held in April 1993, Eritrea faced the complex task of building its own judicial order. The choice made was to maintain, in a transitional way, the Ethiopian codes that were in place until the moment of independence, introducing amendments as needed. A legislative policy analogous to the judicial one was followed"(Teklè T., 1998, p. 183).
3. The normative acts made by the legislative body, or the National Assembly, are called "Proclamations". The acts emanating from the individual ministries are called "Legal Notices". As in the preceding period of the Ethiopian government, these acts go into effect with their publication in the official gazette (The Awagiat Eritrea Gazeta which has replaced the Negarit Gazeta as of Proclamation 9/91) (Favali, L. 1998, p. 181).
4. "In the year for which this calculation is made, 1993-94, there was a serious drought in the country and more than two-third of households received free food aid which reduced the need to buy food in the market. Without food aid, 69% of the population of Eritrea would have been unable to consume the minimum basket of food and other essential commodities" (World Bank, 1996, p. 7-8).
5. "The largest concentrations of poverty are found on the rural high plains where the incidence of poverty is 83%, while in the rural areas of the low plains it is 52%. In the urban centers the incidence of poverty is 62%" (MAE and ISIAO, p. 92).
6. The data refer to 1996, when the urban population consisted of 16% of the total population.
7. A comparison with the year 2000 is not possible because in the Human Development Report 2002 Eritrea is not one of the countries listed for the Gender Empowerment Measure (GEM).
8. "An idiosyncrasy of Eritrean customary law is that it is written into legal statutes. The kinship statutes, agreements regarding one

or more consanguineous kinship group, part of an oral tradition developed by community representatives and passed down from generation to generation through the collective memory of the village, were written down in part by the people themselves, in part by the Italian colonial government with an eye toward using the collected customs as a basis for decisions before the colonial judiciary organs" (Favali, L., 1998, p. 167).

"Several Eritrean customary codes have been produced at various times in English or Italian since the colonial period, and a collection of them is now available in Tigrinya in a book published in 1990. Among scholarly works Conti Rossini's, *Principi di diritto consuetudinario dell'Eritrea* (Rome, 1916) is still the basic text on the subject, while later developments are to be found in Ostini's *Trattato di diritto consuetudinario dell'Eritrea* (Asmara, 1956)" (Guadagni M., 1998, p. 18).

CHAPTER THREE:

MICROCREDIT IN ERITREA

THE TRADITIONAL SAVINGS AND LOAN ASSOCIATIONS IN ERITREA AND THE NEW MICROCREDIT PROGRAMS

The history of microcredit in Eritrea begins in 1993. Since then, savings and credit programs were implemented that were geared toward the improvement of life for the poorest strata of the population. Large financial institutions and international donors supported these programs with the encouragement of both governmental and nongovernmental organizations. Their interest is in demonstrating whether the social interest can be synergized with financial objectives.

But, initiatives of popular and solidarity-based credit, some with rotating aspects, are not new in this country. Traditional networks of credit exist (cfr. Chapter 1) autonomously managed by the population, with their own funds, which the people can use for sustaining one another in the face of particular needs.

Communitarian associations of solidarity and credit, with which the Eritrean people have confronted emergencies (MAE and ISIAO, 2000, p. 32) continue to exist to this day, above all on the rural high plains. This has been accomplished despite a social reproduction compromised by economic, political, military and environmental causes. On the high plains these initiatives are called *mabber* (which means association) and those specifically created by women are called *equb* (which literally translates into

'to preserve'). These are safety nets very important for the local population. They are considered neuralgic for subsistence even to the point of functioning along with religious diversity.

The 'mahber' is an association comprised of usually 12 members that meet monthly, taking turns holding the meetings at the house of one member who offers food and drink for the occasion. The association has a formal structure that includes a coordinator, a secretary, a treasurer and someone to monitor the activities. During the monthly meetings every one deposits a sum of money that is agreed upon and there are penalties for whoever does not respect such agreement. In this way, capital is accumulated and utilized for loans to members, to acquire products or tools that can be later loaned out to be a source of income, or even to sustain members financially who find themselves in temporary difficulties. The members help each other in case of need: if a person is ill, for example, the others replace them at work in the fields and in all the needed activities. If a person is very poor and must comply with some social obligation such as preparing for the marriage of daughter or son, the members contribute to help carry out this obligation (ACORD-ERITREA, 1994, appendix, p. 16).

In the *equub* the women every month deposit a regular amount of money. The participating women take turns monthly to use the total amount accumulated by the group to realize their own project or to deal with some necessity. In Eritrea, perhaps more than in other countries, microcredit programs represent a new form of solidarity-based credit, something the local population had already experimented with and continue to do today; it is something rooted in the community, known and widespread, in some cases keeping the same name (ACORD-ERITREA, 1994, appendix 1, p. 10). Among the traditional forms of popular self-managed credit the need today is to overcome certain limits among which are included: a) a certain rigidity derived, for instance, from the rotation times in access to credit and the

predetermination of the loan; b) the limited amount of capital loaned. Further it would be desirable to c) change some basic requisites among which are access based on preexisting social connections; d) to modify the end result of the process, favoring projects geared toward productive investments instead of consumption and emergencies, as in the traditional forms (Tekie, H., 1999, p. 8; ACORD-ERITREA, 1996, pp. 27-28).

There are five principal microcredit programs realized since 1993. In chronological order, they are:

- 1) The *Southern Zone Saving and Credit Scheme* (SZSCS) started by the Agency for Cooperation and Research Development (ACORD), a consortium of diverse nongovernmental organizations based in London. The consortium was founded in 1976 with the goal of: "(...) improving the conditions of life for the poorest among the poor through development projects." (Hasebenebi Kaffel, 2001)
- 2) It works in 20 African countries (ACORD, 1998, p. 33) with a total staff of around 700 persons and carries out projects of various types: microfinance, agricultural development, helping the population confront the spread of AIDS, sustaining communitarian base organizations. In Eritrea ACORD initiated a relationship of collaboration with the Eritrean People Liberation Front in 1986 giving support to the research and agricultural training center. Currently, in Eritrea, it manages, beyond the microcredit program, professional training programs, and during the last war it was involved in emergency interventions (Hasebenebi Kaffel, 2001). The SZSCS was started in 1993 and is currently active in the Region of Debub and in a sub-Zoba of the Maekel Region.
- 3) The *Credit Program of the National Union of Eritrean Women* (NUEW) (The women in this organization are called *Hamade'* in the Tigrin language). The NUEW is an organization founded in 1979, during the war of liberation,

under the auspices of the Eritrean People Liberation Front (EPLF). After the declaration of independence it became a national Eritrean nongovernmental organization concerned with promoting the participation of women in the development of the country and with improving their conditions of life. It counts more than 200,000 members and has branches, apart from that at Asmara, at the regional level, at the sub-Zoba level and at the local community level (NUEW, 1999, p. 10). The Program started in 1995 in the Region of Gash Barka and then, until 1997, continued to extend itself until it covers five regions of the country. The activities were for the most part suspended in 1999, to restart at the regional level in Maekele, in January 2001 (Rosa Kiflemariam, 2001).

- 4) The *Saving and Credit Program* (SCP/ECDF), is a government program, born within the Eritrean Community Development Fund. This is a multisectoral project for the development of the country formulated by the Eritrean Government and co-financed by the World Bank and other bilateral donors among which are Italy, Belgium, and the Netherlands. It covers 5 of the country's 6 regions, and, starting from July 2001, it has become an autonomous institution directed by a Directional Committee formed by representatives of 4 ministers and the Commercial Bank of Eritrea (MoLG, 2001, p. 1)
- 5) The *Mitias' Credit Scheme* (ERREC) was created by the Eritrean Relief and Refugees Commission, a governmental body for emergency interventions and repair of the damage caused by the war. It has been dedicated, since 1996, to the reinsertion of ex-fighters after the 30-year war of liberation. Its work was interrupted in 1998 due to the new conflict and the new military mobilization. Currently it is not active, but constitutes an important wealth of experience to inspire other microcredit programs, whose goals could include the demobilization of soldiers following the peace accords reached between Eritrea and Ethiopia (State of Eritrea, 2001a, p. 1).

THE SOUTHERN ZONE SAVING AND CREDIT SCHEME (SZSCS)

Origin of the Initiative

This program began in 1993 with the goal of creating a self-sustaining financial institute. The initial capital of 1,700,000 Nakfa¹ was collected from 67 villages in the ex-province of Seraye during the Ethiopian regime, and came from cooperatives, state run shops and local taxes collected by Ethiopian government functionaries. Once the Ethiopians left the money was left in a bank account.

When independence was declared, the Provisional Government of Eritrea declared that such money belonged to the people and sought a means of employing it that would assist the well being of all. It decided to utilize it as a rotation fund to assist the poor. ACORD was requested to start a program of microfinance focused on this end (ACORD, 1994, p. 1). The motives that led to this choice were that ACORD had already cooperated earlier with the Eritrean People Liberation Front in agricultural projects, and that it had development projects in course for small businesses in the Sudan, particularly in an area where there were many Eritrean refugees (Hasebenebi Kaffel, 2001). Beyond the starting capital of 1,700,000 Nakfa left to the disposition of the Eritrean government, ACORD, from 1994 to 1997, financed the program with its own donors (Danish Cooperation, United Kingdom Cooperation, Christian Aid, Protestant Churches), with about 6,000,000 Nakfa² (ACORD, 1994, p. 1).

Beneficiaries and Goals

The Beneficiaries of the program are the poor, with particular attention to those who live in rural areas. The starting hypothesis is that the role of the rural areas in development is too marginal with respect to the great potentialities of this sector. One of the causes is seen to be that the poor in rural areas lack access to credit. The banks in the cities are often unreachable by the rural popula-

tions, but above all, the problem is that they demand collateral guarantees, excluding non-property owners and further exclude them by considering inconvenient loans for very small amounts. The program's goal is to demonstrate that not only is it possible to invest in the rural areas, but that it is convenient to do so. It also seeks to construct a system of autonomous Village Banks that constitute an alternative, if not outright competition, with respect to the formal banking system (Hasebenebi Kaffel, 2001).

Organizational Structure and Methodology

The program adopted the methodology of the Solidarity Group, working in the area with groups of 3-5 persons. The groups, which are formed within the villages, elect from among their members the Village Committee. This is formed of 5 people, of whom at least two must be women, who will remain in office for one year (Hasebenebi Kaffel, 2001) and must select and approve the requests for credit made by the groups. A person that decides to obtain credit must first of all organize themselves into a group and begin to put in place, along with other companions, a savings account, depositing money regularly in small amounts, of at least 5 Nakfa a month. This continues until they reach a savings equal to 10% of the loan amount requested. The client then presents the request for credit: this is subject first of all to the approval of the group of which he or she is a member, and successively of the Village Committee that decides whether to approve or not the loan request on the basis of its own, direct knowledge of the situation of the individual clients (Beraki Ghebreselassie, 2001). Once approved, the request is presented, through the Committee, to the local staff of the program, in the respective sub-Zoba, and from there it is transmitted to the central office for distributing money. The granting of credit is carried out by operating agents in the sub-Zoba, in the seat of the program or in the client's village, on the occasion of the monthly meetings. The time between the formulation of the request for credit and the granting of it is between two and three weeks (Jerusalem Efreem, 2001).

The savings of each client acts as collateral for the loans for all the members of the group. Therefore, the clients can have access to their own personal savings only when all of the loans of their own group have been reimbursed with interest (Afeworki Kidane M., 1999, p. 43). The savings are rewarded with an interest rate of 7%, that is a rate superior to the market rate (as we will see also in the case of the VB), with the goal of orienting the clients' savings toward this organization.

The Consulting Committees operate at the level of the sub-Zoba and at the level of the Zoba. They consist, along with representatives of the clients of the program, of persons nominated by the Minister of Local Government, the Minister of Agriculture, the Ministers of Industry, of Labor, and of Social Affairs, by the Women's Association, and the Youth Association. The committees, who meet monthly, discuss the furthering of the program and future policies. The involvement of numerous organizations and institutions is due on the one hand to the necessity to transcend ex-ante the bureaucratic difficulties that can present themselves (for instance in issuance of licenses), and on the other by the desire to create a communitarian structure for the program to the extent possible (Hasebenebi Kaffel, 2001). As far as the staff of the program is concerned, the central office is in Asmara, where the General Coordinator of the program is employed, as well as three professional operators who work alongside auxiliary administrative personnel. The Director, supported by administrative-accountant personnel works instead in Mendefera' (a city that is the seat of regional direction). This seat is also the site of a Research and Information unit. At the sub-Zoba level there work three people, the team leader, the treasurer and the promoter (Hasebenebi Kaffel, 2001), who move around periodically so as to reach the villages. In the villages the program also has volunteers who gain from such participation the chance to gain training in the field. A promoter follows around 5-7 villages corresponding to about 500 clients (Hasebenebi Kaffel, 2001).

Once a month the Village Committees organize a general meeting of the clients, called the Assembly. At this meeting the various problems that present themselves over the course of the month are discussed publicly, including if necessary the question of late payments. When a late payment is brought up, the Committee first approach the interested person and discusses possible solutions. They then involve, depending on the situation, the members of the solidarity group. The person will seek every means of paying before the monthly meeting to avoid having their problem discussed at the Assembly. Attendance at the monthly meetings is required and the Assembly itself imposes a symbolic penalty (for instance two or three Nakfa) on anyone who fails to participate without a valid reason. It is also the Assembly that decides, based on the proposal of the Committee, how to use the money obtained from penalties. The monthly meetings take place on a regularly scheduled day, usually a saint's day because it is thought to be easier for everyone to remember (Beraki Ghebreselassie, 2001).

The program creates an incentive for a certain competition between the various village committees and groups within the same village, assigning an annual money prize to the best. The awards assigned to the groups are deposited, divided into equal parts, in the account of each client (Jerusalem Efrem, 2001), while the prizes awarded to the Committee are used to contribute to carry out some public work or socially useful intervention in the village (Beraki Ghebreselassie, 2001). The Village Committees that demonstrate a good capacity for management are encouraged to institute a Village Bank, which must tend towards accomplishing financial autonomy for itself. The Village Bank (VB) has its own budget: from the program it borrows capital at the rate of 8%, and then loans it to its clients at 14%. The difference (6%) remains with the VB to cover its operating costs. The VB receives the members' savings and keeps these in its own account (including voluntary savings, beyond those required of members). These savings (whether required or not) are repaid

with interest of 7% (one point higher than that used in the formal banking system) and are then re-utilized as additional loans. The VB can further decide autonomous policies for that part of the credits coming from its own funds and can have clients that only deposit their savings without being obliged to work through the microcredit process (Kaffel H., 2000, p. 2).

Five Village Banks were made active, within this project, as of December 31, 2000 (ACORD, 2001a, p. 3). To institute such banks, the program provided professional training for the Village Bank Committee members, selected from among the clients themselves, to enable them to work independently. It further provided support for the construction of seats for the banks, furnishing the materials. The village inhabitants build the structure themselves (Bokre Abraha, 2000). The bank is open hours that are convenient for the village inhabitants to be able to come there according to their own needs (Kaffel H., 2000, p. 2).

The financial activities of the program have been above all in agriculture (50% of the program's activity) and commerce (41%), including in the latter sector various artisanal production and sales. Then come services (8%) and only a minimum of industrial activity (1%) (Afeworki Kidane M., 1999, p. 47). The loans are provided to clients, on the basis of projects for economic activity, with the possibility of obtaining credit growing little by little, with progressive criteria formalized in cycles. The loan amounts are as follows:

1st cycle: from 100 to 3,000 Nakfa

2nd cycle: from 3,000 to 4,500 Nakfa

3rd cycle: from 4,500 to 6,000 Nakfa

4th cycle: from 6,000 to 8,000 Nakfa.³

Each client has access to the successive cycle only after completing repayment of the preceding debt.

The operators of the program, in the course of their activity, realized that there were in the villages many very poor persons

who thought that they were too poor to be able to utilize the program because they could not manage the initial savings amounts, and further, were afraid of going into debt. From this realization grew the Trust Fund, a small special loan, ranging from 400 to 1,000 Nakfa, that does not require collateral - not even initial savings - but only the approval of the groups of which the person becomes a member. The credit must be repaid within 8 months and follows the normal rules of repayment and interest. This form of credit can be used for any kind of employment to which the group consents, even for consumption or individual emergencies, something that is not possible through the other typologies of credit in the program. However, only one person after the other can receive this type of loan in the group (Kaffel H., 2000, p. 5; Hasebenebi Kaffel, 2001).

The interest rate is equal for all: 14% annually. The repayment schedule is fixed for the first cycle at 8-12 months (18 months in the case of agricultural activity), 18 months for the second cycle on (SZSCS, 2000, p. 5). Instalments are set according to the type of activity involved, and are also spelled out on the loan application at the beginning of the process (Hasebenebi Kaffel, 2001) (for the loan application see Appendix 2a). The program has recently begun a form of insurance for those who use credit to start raising livestock because this form of investment is particularly exposed to risks of loss of capital (due to illness or death of the animals). So far this experiment has been a success. The National Insurance, a public institution, did not accept covering this sort of insurance because it considered it inconvenient. The organizers of SZSCS are instead proud to declare that up to today this insurance service has become a source of revenue for the program. The insurance, which amounts to a cost of 5% over the amount of the loan, covers the risks for two years. In six months, from January to June 2001, 1,800 animals were insured procuring over 240,000 Nakfa for the program: in this period only 4 animals died (Hasebenebi Kaffel, 2001) and so it does

remain to be seen whether the program could continue to profit in the case of a serious outbreak of animal mortality.

Goals Achieved

The program currently operates in 11 sub-Zoba of the Dehub Region, with around 750,000 inhabitants, and in 1 sub-Zoba of the Region Maekel, the sub-Zoba Gala-Nefhi, with around 45,000 inhabitants (ACORD-ERITREA, 2001b, p. 2). It has a presence in 119 village administrative areas and has reached, since the start, 15,000 persons including, currently, 8,200 active clients, providing in all a sum totaling 31,000,000 Nakfa in credit (Hasebenebi Kaffel, 2001). The client who receives credit is asked to compile a questionnaire which helps bring to light certain indicators of well-being based substantially on the overall income of the client, goods possessed or owned, average spending on essential goods, and the relationship between income and spending in the family budget. The questionnaire is repeated when new requests are made for loans, during the passages from one cycle to the next, and once a year the results are compiled in a report on clients. In 1999, a study of 151 clients revealed that 74% of the agricultural loans succeeded in improving living conditions and that the major causes of failure to do so were the death of livestock, weather calamities, and the calling up of the young to arms. In commerce, the loans registered a 90% success rate while in the service sector (which was heavily affected by the war) success stood at 50% (ACORD, 2000, p. 7).

As far as achieving sustainability is concerned, the organizers stress the need to distinguish between organizational sustainability and financial sustainability. The first refers to the acquired ability of the local population to manage the program in its procedures and rules. This area has seen progress and the start up of 5 Village Banks is cited as an example of the level reached in the formation of managerial autonomy. Organizers further emphasize how in the beginning (1993) people regarded credit and the program itself as alien, as an initiative of the government toward

which to be diffident or perhaps only to utilize "(...) the initiative at the time of ACORD's first involvement had come almost entirely from the provincial administration rather than from the people themselves" (Wilson F.A., 1995 op.cit. in Afeworki Kidane M., 1999, p. 39).

Currently, the people speak of the program as "our" program but such a sense of belonging came about only after major efforts by the planners to promote a significant participation in the construction of the programs themselves. It was important, in order to achieve this end, to maintain constant communication with the clients in the villages, particularly when they had to make decisions regarding criteria and policies. There were numerous changes over the course of the following years thanks to this communication between operators and clients. Among the most important were the following:

- the decrease in the numbers of members of the groups. This went from a minimum of 5 to a minimum of 3, restricting therefore the size of the solidarity groups. This change was requested by the women users who asked the operators to address the needs of the women: some were in particular difficulty in maintaining a group of 5 persons because of the continual movement of the population due to the war.
- lowering the maximum amount of credit, from 10,000 Nafka to 8,000⁴. This latter sum is reachable only after having gone through the various cycles. The organizers of the program agreed that, given the elevated amount of the loan, clients were coming from the less poor parts of the community, resulting in the exclusion of the poorest. It was therefore decided to move to the current approach, starting with small amounts, and remaining within certain limits, to facilitate participation by the poorest sectors whose needs start with very small amounts and increase only very gradually.
- reduction of the obligatory savings amount: in the beginning this was equal to 25% of the credit loaned, today it stands at

10%. Women asked for this change because, they say, with the savings that they were obliged to save they could have realized greater income.

- introduction of diverse forms of loans: the form of the "trust fund", already mentioned, was introduced for example, to solicit the poorest persons to utilize credit, after the difficulties in reaching the poorest were determined (Kaffel H., 2000, p. 5).

Such changes were brought forward to meet specific requests by the clients and this has greatly influenced their involvement and participation in the ongoing program. Such aspects are considered fundamental to the future autonomous management of the program (Hasebenebi Keffel, 2001). With regard to financial sustainability the program currently manages to cover only 52% of its operating costs (Hasebenebi Kaffel, 2001). The schedules for achieving self-sufficiency have been extended from the original forecast. In fact, the program, in 1994, set 1998 as the objective date for achieving sustainability (ACORD-ERITREA, 1994, p. 13). The rate of repayment in 1999 was 98.5% (ACORD-ERITREA, 2000, p. 14). During 2000 this rate fell, though it still remained quite high, at 90% (Jerusalem Efrem, 2001). The rate of repayment, considering the situation of the country, is in fact very high, but it is not yet enough for self-sufficiency, and so the program needs to continue injecting money from donors. In the annual report for the year 2000, 45% of the operating costs were achieved autonomously by the program's own financial resources (ACORD-ERITREA, 2001a, p. 6).

Unresolved Problems

The problems that can be identified generally fall under the heading of sustainability. The program seeks to reach the level of sustainability:

(...) to establish a financially sustainable and people-controlled credit and savings scheme, which enables poor people of Seraye to improve their income and

general livelihood through credit and savings. It remains the main challenge of this programme to address both aspects equally, to stress and facilitate their mutual interaction and to arrive at their synthesis and make it coincide with the gradual phasing out of ACORD assistance (ACORD-ERITREA, 1996, p. 4).

The Coordinator General of the program asserts: "We have need of funds, but that which we want is not to have more money from donors, but to mobilize local resources. There is money in the country, we need to mobilize it" (Hasebenebi Kaffel 2001), and estimates that the goal of financial sustainability has been reached only partially, but that the development policies of the VB, however experimental, are moving in the right direction.

The Village Bank has an interest in mobilizing resources at the level of the village population and stimulating the people to deposit savings. The interest paid to the client on money deposited is 7%, one point greater than that paid by the Commercial Bank: this is to create an incentive to deposit money with the Village Bank, even by those with access to the formal banking system. At Mendefera even some government functionaries deposit their money in the Village Bank. We want to prove that there is a savings potential in the rural areas. Over the long term the Village Banks will federate and cooperate and this will render them very strong even in competition with the Commercial Bank (Hasebenebi Kaffel, 2001).

The organizers have noticed problems in reaching women as users of the program. They constitute 40% of the clients, but the programs, considering them a privileged target group, would like to increase this percentage. Women are more trustworthy, readier to understand the mechanisms by which credit functions, more concerned with the well being of the family: all agree on this, the coordinator, the field agent, and village committee (Hasebenebi

Kaffel 2001; Jerusalem Efrem, 2001; Beraki Ghebreselassi, 2001). In order to address this issue, the program has assigned a number of female operators to determine which of the potential clients can become actual clients in this sense. Some operating suggestions were introduced, and have already translated into changes as we have seen above, and it is hoped will be made more effective.

Another problem recognized is that of the legal aspect. For now the program operates in a climate of trust on the part of the government without a formal authorization to reinvest savings in new loans, provide insurance etc. The organizers hope that as soon as possible a precise legal status will be put in place, but this is currently only in the discussion phase at the government level (Hasebenebi Kaffel, 2001). The great difficulties are connected to the war: thousands dead, forced relocation of masses of people, forced abandonment of work to go and fight, widespread material destruction. ACORD, as a non-Governmental Organization present in the country, has had to commit itself on two fronts: to carry out emergency interventions (using external finances) and to continue the microcredit program. "While in other countries credit programs were blocked by war, in Eritrea they went ahead" (Hasebenebi Kaffel, 2001), declared the coordinator of the program. When asked to clarify the reasons for such a difference in outcomes, he explained that it was due to "the strength of the people and the dedication of the staff."

But above all he remained convinced that of crucial importance were the communitarian pressure to repay loans on the one hand and on the other the relationship developed between the users and operators of the program (Hasebenebi Kaffel, 2001). On the part of the field operators however, an uneasiness has emerged toward getting oneself in the middle of such difficult and painful situations, while being convinced of the need to do so (Jerusalem Efrem, 2001). This could constitute a serious problem.

The program, confronted with the calamity of war, has frozen a part of the credit, blocking the maturation of interest, suspend-

ing restitutions and utilizing some toward enabling people to restart lost businesses. Thanks to financial help from Danish Cooperation (DANIDA) - 3,600,000 Nafka of which 3,108,000 went toward building a rotating fund - the program has been able to offer loans to people that have lost all, the possibility of obtaining new loans (ACORD-ERITREA, 2001a, p. 8). The demand for credit has continued to grow and the program has increased the number of clients by 28% over the course of 1999 and an additional 6% over the year 2000 (ACORD-ERITREA, 2001a, p. 3).

THE CREDIT PROGRAM OF THE NATIONAL UNION OF ERITREAN WOMEN (NUEW)

Origins of the Initiative

The initial idea of the project was formulated in September 1992 during the fourth Congress of the National Union of Eritrean Women (NUEW). On the initiative of that Congress, in 1993 NUEW conducted a study on the living conditions of women in the Region of Gash-Barka (Phillips S., Preliminary Research Report, Asmara, July 1994), and, on the basis of this study, identified the main goals and guidelines of the project. The study, conducted during the early months of 1993, found that women heads of household constituted the social group most in need of help. Such women were, for the most part, ex-refugees returned to Eritrea, or coming from families uprooted by the war. On average, every family was composed of 4 members whose maintenance depended on women heads of household. Such women were involved in various types of work, including the production and sale of artisanal products, and the production and sale of local tea or beer. For the most part such activities involved a heavy expenditure of labor and produced a weak return, in economic terms, just sufficient to guarantee subsistence. The research study also made clear how most of the women interviewed showed a great organizational capacity in managing the

family and their working activity. The fact that such women were already economically active showed that they had abilities. This was considered a very important aspect in evaluating their capacity to receive and manage credit (Phillip S., 1994, p. 2).

The project began in 1995 in the area of Gash-Barka as a pilot project. This area was chosen because of its numerous refugees returned to Eritrea from the Sudan after the war. At the end of 1995, after a year of activity, the program began to expand and became operational in five regions of Eritrea, reaching in all, by 1997, 1,700 clients. The program remained inactive for two years (1999-2000) due to the new war and from 2001 it reactivated only in the central region (Rosa Kiflemariam, 2001). In the years between 1995 and 1999 the program was financed by various Non-Governmental Organizations, Norwegian, Swiss, and Canadian (Gaim T., 2000, p. 7), to a total of 2,900,000 Nakfa (UNDP, 1999,p.8). It is currently financed by UNDP, the United Nations Development Project, which has provided 150,000 US Dollars for the year 2001 (Tzegga Gaim, 2001; Rosa Kiflemariam, 2001).

Beneficiaries and Goals

The beneficiaries of the program are women heads of households and the poor women of the villages, who already have, or are in a position to start, their own income generating business activity. In the most recent programmatic text (Kiflemariam R., 2000) the program's mission is described as: "To promote sustainable socio-economic development, enhance a developed business activity, and self-sufficiency of Eritrean women that could bring a change in life" (Kiflemariam R., 2000, p. 1). In addition there are some specific goals:

1. To encourage economic self-reliance of women. To improve business knowledge of women and provide access & encourage to enter income generating activities through provision of credit.

Sharing Trust

2. To provide credit to women, who are already engaged in some income generating activities, with mental and physical capabilities between the range of 18 and 60.
3. To provide and distribute credit to poor women, who head their households, are displaced, demobilized women fighters living in remote areas and towns.
4. To develop a better way of understanding the needs of women and effective ways of meeting them.
5. To get rid off loan providers with unreasonable interest rates.
6. To encourage women in empowering themselves so that they can more active participants within the socio-economic and political contexts of the communities.
7. To improve the standard of living of families which includes food security, improve health care and nutrition, safe and secure housing and equitable access to education.
8. To encourage continuation of credit program and transfer to the community (Kiflemariam R., 2000, p. 2).

Overall this document rehashes the programmatic lines already developed in earlier documents (Phillips S., 1994, p. 7) demonstrating continuity in the intervention strategy.

Organizational Structure and Methodology

The credit program is only one of many programs carried out by NUEW with the goal of improving the political, economic and social conditions of women. The Project Office, which is responsible for coordinating the project activities under the auspices of the Social Services Department of the NUEW, also

has in place other programs for professional training (sewing, dressmaking, crafts, English language training and computers), information (education, health, women's rights), gifts of goods or tools poor women (mills or asses to grind grain, containers for the harvest and to transport water), psychological assistance and help when necessary in particular situations (such as the project recently started to help women who suffered violence during the war) (Tzegga Gaim, 2001).

The NUEW has an organizational structure based on the National Congress, an assembly formed of representatives of all the villages of all the Regions. The Congress elects its Central Committee, made up of 45 members, who elect a President. The President nominates the Executive Committee, which is formed of 10 members: the representatives of the six regions (Zoba), the directors of three departments (Administration and Finance, Social Services, and Research and Information) and the President herself (for the NUEW charter, see Appendix 5). The women who live in a village meet in an Assembly, electing village representatives for the NUEW. The latter has working autonomy, so long as she always maintains contact with the regional seat and acts in accordance with the organizational program (Tzagga Gaim, 2001). A central office in Asmara coordinates the credit project. There is a coordinator, an accountant, and a bursar for every region as well as other operators at the sub-zoba level. The field agents are functionaries of the NUEW at the sub-zoba level.

To start a program in a village, the NUEW representatives elected from an assembly of village women, meet the local and religious leaders seeking the best way to make the project proposal agree with local cultural practices. Then field agents of the NUEW collect credit requests and a training program is developed for those requesting credit. In 8 days they teach the women how to keep accounts, how to choose the best activity to finance, and what credit is and how to make use of it (Alganesh Adonai, 2001). After these training sessions, groups of 4-6

women are formed and loans are made to them. The project uses the methodology of solidarity groups, with some variations. The group participants cannot be members of the same family but must come from the same village, because it is important that they know each other well (Kiflemariam R., 2000, p. 3). It is the individual woman who chooses what to do, what kind of business to start, but the agent can advise her on various aspects of the investment.

The decision whether to grant credit is made by field agents together with the regional coordinator and the regional representative of NUEW (Rosa Kiflemariam, 2001) and the field agent then has the responsibility to see that the money is being properly used, in conformity with the credit contract. The Village Committee also plays a role in evaluating the granting of credit, but in practice this is limited to consulting on particular situations and problems.⁵

The group meets at least once or twice a month to discuss their experiences (Kiflemariam, R., 2000, p. 4). The NUEW encourages women to work in groups as well as encouraging them to initiate businesses in groups, along with seeking to convince them to discuss their individual business activities in group settings. It promotes business between them (for instance one woman might sell eggs to the woman she buys milk from), it teaches women the need for group solidarity so that if one woman is in difficulty, others can come to her aid. This solidarity never becomes obligatory however: one woman's coming to the aid of another in the group is desirable but not an obligation.

The duty of each member of the group, in particular of the group leader, is to act in such a way that each is solvent: with this in mind the members are asked on the one hand to carefully choose their group comrades, on the other to provide mutual aid and, if necessary, social pressure (Tzegga Gaim, 2001, Rosa Kiflemariam, 2001, Alganseh Adonai, 2001). However, in the project's programmatic document, as edited by the coordinator, we find:

As part of the credit and saving program, credit group is responsible for members to pay their debt on time and participate in necessary meetings" (Kiflemariam R., 2000, p. 4) (...) "In the credit group meetings, unpaid amounts should be discussed and the group is responsible for the solution (Kiflemariam R., 2000, p. 6).

Interviews have confirmed that over time, the groups use the most flexible solutions possible to handle the solidarity obligation of repaying unsettled debts. The same coordinator affirms that, "If the group wants to help a participant in difficulty it can reimburse the credit on its own part, but the principal duty is that of requiring her to pay" (Rosa Kiflemariam, 2001). Even clearer and more explicit is the comment by the director of the Social Services Department⁶ on the shift from group to individual responsibility for loans, in the group's solidarity.

We seek to act in a way that fosters good relations within the group, that there will be mutual aid and a sharing of experiences. This is the motive for the formation of groups. The responsibility for repaying loans is individual but in the group the women learn from one another, they help one another. During the initial period of the program, the group becomes considered responsible for the debts of its members, but this was discussed and criticized by the clients who asked to be responsible only individually. The formation of the group remained the same but the responsibility for loans is individual (Tzegga Gaim, 2001).

The case of this program stands as an experiment in the diverse forms of responsibility and solidarity in the functioning of the groups; as a process of continual feedback with the members, and of the varying approaches of organizations toward mutual commitment and guarantees. One notes significant differences among the same models in requests for obtaining loans among different organizations. For example, while in the SZSCS model (described above) and in that of the SCP/ECDF (to be discussed

later) mutual responsibility is underwritten collectively, in the Credit Program model of the NUEW, only the agreement on the loan and carrying out of work are done as a group (see Appendix 4a and 4b). In the case of insolvency, however, even in the NUEW the savings are deducted by the other group participants (Sitel M.A.F., 2001; Kiflemariam R., 2000, p. 8). "Members of the credit group can receive loans all together or one after the other. If they are to receive all together at a time 10% of the total loan is taken as collateral" (Kiflemariam R., 2000, p. 6). Beyond the obligatory deposit of 10%, which is considered savings by individual clients, there can be a further savings decided upon by the group. The amount of this further saving is not fixed but determined by the group itself. Each participant deposits a small amount of money, which is collected by the group leader. This, when the group's loans reach 50 Nakfa, is deposited in a bank account in the group's name, with current rates of interest (Kiflemariam R., 2000, p. 7).

This group savings has similar characteristics to the traditional form of the *equb* and in fact the clients tend to use the same term *equb* even though the new form functions with guarantees that did not pertain to the traditional form. The total savings (of 10% plus the group savings) is in fact utilized as collateral for the active loans and maintained until all of the group's members have repaid their loans. (Kiflemariam R., 2000, p. 8). 76% of the program's finances go to agricultural activities, 23% to commerce and 1% to services (Tzegge Zermariam, 2001). The loans are allocated in three successive cycles:

- from a minimum of 500 Nakfa to a maximum of 2,000 in the first cycle
- from 2,000 to 3,000 in the second
- from 3,000 to 5,000 in the third.

The repayment schedules are different according to the type of activity and range from 12 to 18 months. Repayment begins after 2 months in the case of commercial activities, 6 months in the

case of agricultural. A client that is late with a payment must pay one Nakfa for every late day (Kiflemariam R., 2000, p. 3). At first the program applied differing interest rates reaching a maximum of 8%⁷ but currently the rate is 12%: "At first the rate was 8% but we raised it to 12% because it was insufficient" (Tzegga Gaim, 2001).

Goals Achieved

The program is active in 4 sub-zones and has 283 clients⁸. The total credit loaned in the year 2001 was 515,700 Nakfa (Alganesh Adonai, 2001). Many women have taken advantage of the program and some continue to develop their businesses even after having concluded the credit experience, as some of the field operators interviewed confirmed (Rosa Kiflemariam, 2001; Tzegge Zermariam, 2001). This is particularly true of women who already had some business experience and who could count on some, even if small, capital of their own upon leaving the program (Amna Massan, 2001).

To this program come the poorest women who, according to the coordinator, could not access the other programs because their interest rates are too high. Further, many clients were already members of NUEW before accessing credit, and this facilitated their entering the program (Tzegga Gaim, 2001). Because developing women's capacities is considered one of the main objectives of the program, acquiring an ability to manage in a rational and efficient way the daily needs of the family, including their economic activities, is highly valued. This is considered a first step because the woman is able to conduct, together with all of the domestic work, a productive activity that can improve her life conditions. For our understanding of this process, however, lacking precise criteria for judging this development, we must rely on the observations of the field operators (Rosa Kiflemariam, 2001).

Despite having lower interest rates than the SZSCS programs (see above) and the SCP/ECDF programs, this project had lower

rates of repayment in its first phase (up to 1999), or around 60% (UNDP, 1999, p. 9). This obviously raises certain problems. The program does not see financial sustainability as a goal. The interest can only cover operating costs of credit allocation (personnel, transportation, administrative expenses) (Tzegga Gaim, 2001) and this is a fundamental difference between the various socially useful financial initiatives. The program, conducted without regard to criteria of financial or banking self-sufficiency, is utilized by the very poorest and therefore results, according to its operators and managers, in immediate social utility.

Unresolved Problems

This program was heavily damaged by the war, which caused first a slowing of activity, and later full closure in 1999. It reopened in 2001, limited however to the central region. It has had a different course therefore than the other programs, either the SZSCS already examined or the SCP/ECDF which we shall address further on. Of crucial importance for this program has been the lack of substitutability of the members. In the other two programs, when a man was unavailable for work due to the war, it was possible to substitute a wife, a sister, or a relative. The easy and immediate substitutability of the members was a condition that permitted the continuation of the business activity, and, in the final analysis, the repayment of the debt. The NUEW program however, was directed at helping women heads of households, in order to improve conditions for this particularly poor sector of society; this commitment meant that certain organizational difficulties arose from the war and for many women there was no lifeboat to save them. This experience leads to reevaluating the pros and cons of selectively or exclusively targeted projects: if on the one hand they serve to reach the very poorest, a widespread problem facing micro credit policies, on the other they can cause a rigidity that can become an obstacle to the targeted population obtaining resources. The choice of having or not having relatives in the same group is reposed by this problem.

The difficulties in achieving high rates of repayment are more characteristic of the peripheral zones than of the central region or Asmara itself. In these zones there is also a need for significant investments in management training, the need for a more highly articulated differentiation of types of activities and a precise analysis of the market: "there are more women that sell than women that buy...more women that know how to make things than don't know how to" (Amna Massan, 2001). "We should better monitor the carrying out of the economic activities in the field, but with the means that we have that isn't possible" (Sellas Jonas, 2001). Repayments are taking place even today however. Gradually, the insolvent women are repaying and the program is reconstituting the fund while it waits for the Association to define its future policies. 1,500,000 Nakfa⁹ have been redeposited and are being utilized to expand the credit program nationally (Rosa Kiflemariam, 2001).

In the Maekel Region, where the program is currently active, there have been 500 requests for loans since January 2001 for financing available for 320 clients (Kiflemariam, R., 2001): there is therefore a demand for credit in excess of that available which is currently not being met.

THE SAVINGS AND CREDIT PROGRAM OF THE ERITREAN COMMUNITY DEVELOPMENT FUND (SCP/ECDF).

Origins of the Initiative

The Eritrean Community Development Fund (ECDF) is a national development program instituted in 1996 as an autonomous fund unit within the Ministry of Local Government (MoLG).

The main objectives of ECDF is to select, appraise and finance the implementation of projects which will: (a) support the rehabilitation and development of basic social and economic infrastructure critical to

the improvement and development of the economic and social conditions of the population, especially in the rural and war devastated areas of Eritrea; and (b) Improve the income earning capacity of poor people and households (ECDF, 1999, Volume 2, p. 20).

Within the program, project selection is carried out by the ECDF on the basis of proposals coming from the beneficiary community through the representative bodies. This method was already experimented with during the war of liberation and in the Eritrean Community Rehabilitation Fund. The direct involvement of the beneficiary community is expected through a contribution of 10% of the financial costs, furnishing of materials, or labor (ECDF, 1999, Vol.2, p. 1). The program is financed by the Eritrean Government and by credits from the World Bank (IDA - Institute for Development Assistance), as well as by funds made available by bilateral donors (including Italy, Belgium and the Netherlands).

The program has contributed to carrying out projects in the areas of education, health, water supply, feeder roads, natural resources management, social services and micro finance (ECDF, 1999, Vol.1, p. 1). A five-year program, it will be followed by a second phase called the Eritrean Community Development Programme (ECDP) which will continue along the same guidelines after the comprehensive program evaluation currently underway is completed (Kidane Tzeggai, 2001).

The Saving and Credit Program (SCP) was born as a component of the ECDF, with operating autonomy and its own budget (Mengsteab Afeworki, 2001). Today it enjoys greater autonomy following a government pronouncement in March 2001. It was formulated in light of some positive experiences, conducted on a small scale, of credit allocation to peasants or small entrepreneurs through the Eritrean Community Rehabilitation Fund, the development program, together with the Ministry of Agriculture. For this program, it was necessary to choose a) how to

institutionalize the projects within the sphere of local government and b) how to include these activities in the traditional methods of savings and loans. These two aspects are at the basis of the Village Bank (VB) as an organizational model and of the solidarity group as a methodology. "We have seen that the people borrow and repay in traditional ways...We hold that the link with Local Government and with the traditional cultural roots constitute factors for success for our program" (Kidane Tzeggai, 2001) according to one of the political directors of this program. The SCP started to operate in July 1996 as a pilot program. It committed itself from the start to furnish, within 5 years, financial service to 10-15 thousand informal sector businesses and small peasants (ECDF, 2000, p. 112). The total financing allocated comes to \$3,110, 000 US dollars for the years 1996-2001. A further financing of \$2 million US dollars was made available through the Emergency Reconstruction Program (ERP) formulated in July 2000, and approved by the World Bank in December of the same year and comprising several programs including ECDF (Mengsteab Afeworki, 2001).

Beneficiaries and Goals

SCP started its operation in 1996 as a pilot program, with the main objective of creating new income and employment in poor communities through the promotion of local microscale activities, thereby improving the standard of living of the local population and increasing the communities' overall prosperity (ECDF, 2001, p. 127).

In so doing the program will seek to focus its attention on women, the poor and those living in more isolated towns and rural villages (ECDF, 2000, p. 113),

thereby furnishing credit opportunities to subjects who traditionally have not had access to banks. It is directed in the first instance at the poor, but also at some of the less poor that however

also has no access to bank credit both because of lack of collateral and for logistical reasons of access and remoteness (Mengsteab Afeworki, 2001). Building on this basis an autonomous financial institution is being created, an MFI, which can respond to the needs of the community, under the local people's control. It is hoped that it will eventually become financially and organizationally autonomous (Afeworki Kidane, 1999, 21).

Organizational Structure and Methodology

The program, as noted above, has from the start been part of the organizational structure of the ECDF that in turn was promoted by the MoLG. It functioned as an autonomous unit, but closely tied to the guidelines of national development (cfr. The organizational structure of ECDF/SCP, All. n.6). It used the buildings, offices and structure of the ECDF, constituting an integral part of the latter. The reason for including the SCP as part of ECDF is because it was originally a pilot program which needed financial support. The ECDF in turn was placed within the structure of the MoLG because the latter has responsibility for community development, based on the workings of the Village Assembly and the Local Administration. The MoLG, due to its nature and mandate, has a nationwide presence and can furnish adequate institutional support to the program (Kidane Tzeggai, 2001). The general direction of the SCP/ECDF program consists of the Microcredit unit which defines and develops the program's methodology, manages the fund for its loans, coordinates the formation and the supervision of the personnel that work at the regional level, and monitors the ongoing program in the various regions (ECDF, 2000, p. 114). The regional staff is composed of the coordinator, the accountant and the credit agent. Its functions include selecting which communities can participate in the program, training and supervision of personnel of the Village Banks (where they exist), general monitoring of the program in the Region, approval of loans at the second tier (the tiers are explained below), (ECDF, 2000, pp. 113-114). Currently¹⁰ there

are 2 credit agents present in each region, one dedicated to each level. In the sub-Zoba work the promoters, operators who act as consultants to the Village Banks, link the Village Banks and the regional seat of the program, and facilitate the resolution of various problems. They number 30 in all (Mengsteab Afeworki, 2001).

The SCP has two separate credit tiers. The first tier, Tier 1, is structured on the model of the VBs. The Regional Administration provides a list of villages it wants to prioritize for expanding the program. Once a village is selected, the regional staff organize a meeting of the entire population of the village to ascertain the extent of interest in the program (Tewelde Ghebre Kidane, 2001). If interest reaches a minimum of 36 clients, a Village Bank is set up (ECDF, 2000, p. 115), which, typically, should serve about 80 clients (Afeworki Kidane M., 1999, p. 22). In the largest villages two VBs may be set up (Tewelde Ghebre Kidane, 2001).

The Bank clients elect the Village Bank Committee. This consists of at least three members: the village Administrator, nominated by the local government who acts as director, and two persons elected from among the clients as the secretary and treasurer. At least one of the three must be a woman. These receive three days of training by the regional staff, regarding the policies, goals and procedures of the program, in order to acquire the basis knowledge needed to conduct the VB.

The Committee's role is to promote and supervise the Solidarity Group, composed of 3-7 members, who must mutually guarantee all loans and resolve any problems that may arise in repaying them. Such mutual support can include shared business activity. The Solidarity Groups are formed by and from village dwellers on the basis of mutual trust and the members of a group cannot come from the same immediate family. They elect a Group Leader. The possibility of progressing to higher credit levels depends, for each member of the Solidarity Group, on each member remaining up to date in their payments.

The Committee controls the loan decisions for the group, records transactions, receives payments and savings deposits and confronts repayment problems that the group is not prepared to resolve on its own. The Committee members receive around 250 Nkf a month for their services, excluding the administrator who carries out these duties within the sphere of his functions.

The second tier of credit, Tier 2, is instead an individual loan for small businesses. This type of credit was introduced in order to reach a non-poor population, and to give an impulse to small enterprise. In this case the client must demonstrate that they have 20% of the capital requested and must also have a cosigner who can be a family member. The Tier 2 loan must be approved by the regional organs of the program which decide on the basis of a feasibility study carried out by the regional credit agent.

The types of finance activity performed by the program include:

- at Tier 1, commerce 59.44%, agriculture 34.33%, services 4.41%, and industry 1.82%
- at Tier 2, commerce 43.94%, agriculture 35.93%, services 12.55% and industry 7.58%

So far as loans are concerned, Tier 1 is structured into 7 cycles. The initial loan is 1,000 Nkf and then, once all of the group members have repaid, they can access the subsequent amounts of 2,000 Nkf, then 3,000, 5,000, 7,000, 8,500 and finally 10,000. At this tier, repayment schedules vary from 3 months to two years. According to a VB regional coordinator these are decided from time to time by agreement between the group and the program¹¹. The loan applicant must present an investment plan that will be approved by the group and by the Village Bank Committee. The interest rate for loans at Tier 1 is 16%. At Tier 2 loan amounts rise to between 10,000 and 100,000 Nkf, with repayment schedules ranging from three months to two years. The interest rate remains at 16%, however if a client makes all payments on time they are reimbursed 2%.

Further, at Tier 1 group members must first accumulate a mandatory savings equal to 10% of the amount requested, which is deposited over a period of two or three months. Such savings are deposited in the Commercial Bank of Eritrea and mature at an interest rate of 6% annually. The savings normally remain deposited for their entire time as a participant in the program and are used as collateral in case payments are missed (Afeworki Kidane M., 1999, pp. 23-24). At Tier 2 instead such a mandatory savings is not required. The program is studying whether to introduce a third tier with loans larger than 100,000 Nkf in order to favor the development of larger-scale enterprises (Kidane Tzeggai, 2001).

Goals Achieved

In December 1996 there were 25 Village Banks active in the program, and by the end of 1997 there were 38. In December 2000 the program was active in 5 regions reaching 290 villages with 88 Village Banks for a total of 5,942 clients of whom 30% were women. Currently¹² the program is active in 5 national regions: it has a total of 132 Village Banks and reaches 113 village Administrative Areas corresponding to 431 village units (Mengsteab Afeworki, 2001), out of a national total of 654 Administrative Areas and 2,564 village units (Afeworki Kidane M., 1999, p. 27). The total number of clients reached since the program's start¹³ is 8,550 persons at Tier 1, and 462 at Tier 2. Women constitute 33% of the former and 32% of the latter (ECDF/SCP, 2001, p. 24). The total amount of loans provided comes to 53,390, 950 Nakfa.

These are the goals achieved in terms of program expansion and such growth levels are seen by the organizers as satisfactory given the difficulties that the general political situation has created (ECDF, 2001, p. 135). One evaluation study, conducted in 1998, reports that 93.3% of the beneficiaries consider their own enterprise project has been successful and have had no trouble identifying improvements in their living standards. This study affirmed that the program had become a school where

the people learned to work in groups. The Village Committees have acquired the capacity to coordinate and monitor projects (ECDF, 1999, Vol.2, p. 17). An analogous evaluation study conducted over the course of 2000 found that 90% of the 210 clients interviewed had increased their family income, by an average of 21% (ECDF, 2001, p. 136).

The notable increase in the average amounts of loans, up 86% between 1996 and 1999, is considered a satisfactory index of the development of economic activities financed by the program (ECDF, 2001, p. 137). Fully 95.07% of the loans have been repaid by the date required¹⁴ (or more precisely have been repaid within a month of the required date) (ECDF/SCP, 2001, p. 25). The policy direction is to make the program into an autonomous Microfinance institution also involved in information and training, that can establish the basic rules that other organizations can also follow (Kidane Tzeggai, 2001).

The organizers proudly claim that the program's sustainability has grown over the past 5 years. It is now able to cover 86% of its own operating expenses and that percentage has been on the increase from the beginning. In two regions (Anseba and Maekel) the program is all but self-sufficient. They keep in mind however that for the period in which the program was part of the ECDF it was not burdened with logistical expenses that were covered as part of the government seat's operations. In this sense achieving full autonomy from the ECDF has proven a challenge (Mengsteab Afeworki, 2001).

Starting in July 2001, following government decisions, the program has operated as an autonomous institution (Saving and Micro Credit Program - SMCP) within the MoLG and under the supervision of a Directional Committee composed of representatives of the MoLG, the Ministry of Finance, the Ministry of Commerce and Industry, the Minister of Agriculture and the Commercial Bank of Eritrea (MoLG, 2001, p. 2). This new insti-

tutional framework constitutes an important achievement for the program that had been looked forward from the beginning.

Unresolved Problems

An excerpt from the text *Future Directions of ECDF*, Draft Report, from February 2000, produced by the consulting association hired by ECDF¹⁵ suggests some problems facing the program:

According to the Operational Manual of SCP, the client, to be eligible for loan, must be poor, trustworthy and capable of generating income, free from any credit relations with other institutions, village dweller, and an Eritrean above 18 years of age. Due to lack of clear and precise definition of the poor, SCP has been accepting all those who have shown interest in the program regardless of their financial position (ECDF, 2000, p. 115).

This programmatic document starts on the assumption that in Eritrea the majority of the population in the rural areas is poor and that the low average amount of loans in Tier 1 (1,371 Nkf in 1999) can realistically interest only the poor. This argument accords with the view that the clients reached by the program in Tier 1 are poor (ECDF, 2000, p. 114). Instead, the provisional evaluation report on the ECDF program's impact, commissioned by the Eritrean Government and by the World Bank¹⁶, published in January 2001, found that the average annual income of SCP clients was over 14,000 Nkf meaning that the program has not reached the poorest population (ECDF, 2001, p. 136). Another problem concerning reaching clients is the relative difficulty of involving women. Although the overall percentage actually reached (33% in Tier 1)¹⁷ is encouraging, the program is committed to increasing the percentages of women, and by understanding the causes, to overcoming the obstacles involved (ECDF, 2000, p. 144).

Further, the same impact study cited above found that 87% of the women interviewed were heads of household (ECDF, 2000, p. 133): the low percentage of women living with husbands leads to the idea that these are excluded by cultural norms that discourage them from taking economic initiative (ECDF, 2000, p. 144). This aspect leads to doubts that it will be possible to overcome discrimination against women through micro credit.

The lack of proper training opportunities for the program staff and the members of the Village Bank Committees is keenly felt (ECDF, 2000, p. 118, 121). The program is taking steps to have international consultants available and the startup of a research and training unit is foreseen to coincide with the greater autonomy of the program (Mengsteab Afeworki, 2001). The limited finances available to the program, which among other things has led to an insufficient transportation endowment, renders difficult the movement of technical personnel at the regional level and slows consulting work and supervision at the local level (ECDF, 2000, p. 116; Bicciato F., 2000b, p. 21).

A particular problem has been identified in the process of training Solidarity Groups. The program conceives the Solidarity Group not only as an instrument of collateral but also as a tool for the development of a stronger solidarity and mutual aid within the village (ECDF, 2000, p. 122) linked to the concept of *Wefera*, which in the Tigrinya language means "village solidarity". While the experience varies by region, it is the clients who tend to consider the group solely as a requirement for accessing credit, using the Tigrinya term *Gugiele* meaning "organized". The full implications of the credit methodology are little understood and it is common for requests to be made to borrow individually (Bicciato F., 2000b, p. 9). The already cited study revealed that 76% of the 210 clients interviewed (women and men) would prefer individual credit so as not to be involved in the collateral mechanisms of collective loans (ECDF, 2001, p. 138). On the basis of these elements, and due also to the widespread mobility

of people caused by the war, it was decided to reduce the number of members required for a Solidarity Group from 5-8 members to 3-7: reducing the numbers increases the group's chances for maintaining itself (Mengsteab Afeworki, 2001).

The program uses savings as collateral along with the Solidarity Group. It cannot use these for new loans. This presupposes a specific legal framework which currently is being defined and clarified and therefore is not in effect¹⁸. According to the program coordinators, the organizations that utilize a "subsidized" method of micro credit can create problems for the programs that are more structured toward self-sustainability (Mengsteab Afeworki, 2001).

The program has certainly felt the effects of war. This meant that some staff members, already expert, had to leave their work for military service and that 890 clients were called to the front. This translates, economically, in 2,700,000 Nkf that went unpaid at reimbursement time¹⁹. This situation is improving however and the number of unpaid loans continues to fall: in June 2000 the amount of unpaid loans stood at 3,500,000 Nkf, while in December 2000 that figure had fallen to 2,900,000 Nkf. During the war emergency strategies were coordinated with the World Bank: freezing interest, postponing the due date by three years, cancellation of debt in some cases, and opening new loans. It is surprising however that the repayment rate remains high, despite the difficult situation: in the Gash Barka region, one of those hit hardest by the war, it is actually 100% (Getachew Jyob, 2001).

One final problem cited by coordinators is the difference between the program's capacity to respond and the potential demand. The figure of 25,000 clients currently benefiting from all the microcredit programs in the country is far below the estimated 250,000 who could benefit from them (Mengsteab Afeworki, 2001).

THE MITIA'S CREDIT SCHEME OF THE ERITREAN RELIEF AND REFUGEES COMMISSION (ERREC)

Origins of the Initiative

Starting in 1993, after the proclamation of Independence of the State of Eritrea, the new government upon taking office decided to demobilize part of the army, reducing its numbers by 60%. Toward achieving this goal, it set up an organization called MITIAS (the term mitias means "demobilization" in Tigrinya) that works to reinsert ex-soldiers into civilian activity (Haile T., et al., 1997, p. 1). The projects instituted for ex-combatants consist of: training courses, furnishing of agricultural implements, land grants, housing construction, educational opportunities for their children as well as other initiatives, among them credit programs.

Because the government had promised to give to the ex-fighters severance pay equal to \$30 US for every month of service, it was decided that if an ex-fighter wanted credit from the Commercial Bank of Eritrea, they could use their severance as collateral. Very quickly it became apparent that a considerable number of people had served relatively brief tours of duty, enlisting in the final years of the war. For this reason, their severance did not provide them with any significant access to credit: the government decided because of this to start a credit program in a different form, through the creation of a rotating fund stemming from a donation from the Eritrean Government, the European Union, from German Cooperation and from ACORD. ACORD, the NGO responsible for the SZSCS which was already in place at this time, was also involved in formulating and starting up this program as a consultant and partner of Mitias in staff training for the program and financing part of the rotating fund (Haile T. et al., 1997, p. 1).

The program, begun in 1996, was concluded in 1998 when all the ex-combatants were newly mobilized for the war against Ethiopia. In the few years in which it had been active, the program

worked in all six of the regions of the country, though little in that of Danalia because the program was not well adapted to the primarily nomadic life of the population there (Michael Hagos, 2001). The loans created on the basis of the severance at the end of service were financed by the Commercial Bank following an agreement stipulated with the government: in all 29,619,659 Nakfa were disbursed. The rotating fund was financed, as previously noted, by the Eritrean Government (2,000,000 Nakfa), the European Union through ACORD (500,000 Nakfa), from ACORD itself (50,000 Nakfa) and from German Cooperation (GTZ: Gesellschaft für Technische Zusammenarbeit) (2,000,000 Nakfa).

Beneficiaries and Goals

The credit program has the goal of helping ex-fighters to rebuild economic self-sufficiency and, more generally, to sustain them in their reintegration in the socio-economic activity of the country (Haile T., et al., 1997, p. 1). The intent was to reach all of the ex-fighters (ECDF, 1999, p. 188). In all 54,000 fighters were demobilized, in three diverse phases (Haile T., et al., 1997, p. 1).

Organizational Structure and Methodology

The program was organized as an autonomous unit within Mitias with a staff all its own. The projects were coordinated by the central office in Asmara where there was a coordinator and four staff people for training and administration. At the regional level, there were coordinators and two to three support workers. At the sub-Zoba level 64 credit agents in all were employed who were given a three-month training course. The credit agents had the mission of advising and providing orientation to clients, deciding on credit requests, underpinning the delegated credit approval organs, following and evaluating the effective accomplishment of the business activity (Haile T., et al., 1997, p. 2). In a few cases they formulated projects, supervised by the central coordinating office, which was devoted to groups of ex-combat-

ants reunited in associations. This was the case, for example, with the project regarding distribution of beer produced in Eritrea: an association of ex-combatants, even today, manages the distribution. This was also the case with the management of automobile parking lots in the city of Asmara (Michael Hagos, 2001). A gender unit was also created in the region of Anseba to facilitate access to the program to female ex-combatants.

The credit provided by the Commercial Bank was distributed according to a methodology of individual credit. To administer this program a steering committee was formed. They include representatives of the Ministry of Finance, as a guarantor for the collateral; of the Ministry of Local Government, with the task of facilitating the administrative procedures; of the Commercial Bank of Eritrea for financing credit; and of Mitias for carrying out the field operations. On the model of this committee other committees were created at the regional level that had the job of approving credit requests based upon the feasibility studies of the credit agents (ECDF, 1999, vol. 1, p. 187).

For the revolving fund the credit agent received and then forwarded the credit requests to the central office of Mitias. Mitias itself decided on the merits of the requests. The clients were organized in solidarity groups of at least three persons who reciprocally guaranteed each other's credit. In this section (the revolving fund only) founded on the methodology of the solidarity group, savings equal to 15% of the loan were required as well as a continuing savings of 10 Nakfa per month. The loan amounts ranged from 2,000 to 5,000 Nakfa for the revolving fund, while the loans conceded to the Commercial Bank of Eritrea depended upon the assigned severance. The interest rate was, in the first case, 12% while ranging from 8% to 12% in the case of credit granted by the Commercial Bank, varying according to the type of business activity and the specific contract stipulated. The repayment times were in the first case for one year, in the second they varied from one to five years (Haile T., et al., 1997, p. 53).

The activities financed with the credit through the Commercial Bank consisted of 48.11% commercial activities, 30.57% agricultural, 21.32% services. In the case of the rotating fund, 74.32% agricultural, 22.41% commercial and 3.27% services (Michael Hagos, 2001).

Goals Achieved

As far as the total number of clients is concerned, 1,079 persons utilized the program obtaining loans from the Commercial Bank and 2,204 used the rotating fund (Michael Hagos, 2001). An evaluation study commissioned by Mitias itself and published in March 1997 found that the program had had a positive impact on the socio-economic conditions of the clients, improving their standard of living. That was deduced by the increase in capital in their possession after the program compared with before, by the increase in monthly income and by their effective monthly expenses (Haile T., et al., 1997, p. 23).

The repayment rate overall was low if compared with other programs in the country: 42% for the Commercial Bank and 77% for the rotating fund. Such data are attributable, according to the coordinator of the program, beyond the usual difficulties, above all to the new military conflict that affected almost every family involved in the program (Michael Hagos, 2001) because the combatants for which the program was intended were recalled into service.

Unresolved Problems

In reality, only a small part of the ex-fighters utilized the program. Seeking to justify this partial usage, the organizers pointed out that credit is something new for their clients and therefore required more time to be integrated into the mentality of the persons as a real possibility. The potential clients were afraid of not being able to repay and made clear that the interest rate was too high. There were further organizational difficulties that influenced whether one sought out the program: for

example, in the course of carrying out the program, the organization involved (Mitias) merged with others and became part of a single entity called ERREC dedicated to the growth and reconstruction of the country, and therefore was no longer an organization specifically structured to work with ex-combatants. As a result, it was more difficult to maintain the organization and the coordination of the program that had already been created and needed consolidation. The same coordinator made clear that the demand was high in 1996, but, due to limited funds, the program made groups of clients wait and this led many to give up. Later the program began to take off, demand revived, but the new war intervened (Michael Hagos, 2001).

In all, those responsible lament the difficulties encountered in attempting to monitor the activities not only because of the limited resources, but above all the organizational changes that strained efficiency and confused roles (Haile T., et al., 1997, p. 55). A final cause of the program's weakness was a certain ambiguity connected the loans distributed by the Commercial Bank: the fact that the severance could be used as collateral, not yet actually received, led the clients to think, "this is my own money, why do I have to pay it back?" (Micheal Hagos, 2001).

SOME ELEMENTS OF SYNTHESIS AND REFLECTIONS ON THE PROGRAMS ANALYZED

The micro credit policies in Eritrea were implemented in 1993, immediately after the proclamation of the independent state. In this country the programs, formulated in a post-war phase following a thirty-year long war, became a leading aspect of the reconstruction and development plans. But a new war against Ethiopia, which broke out in May 1998 and lasted more than two years, produced new obstacles for conducting the programs. However, the efforts were not entirely thwarted. The programs suffered, each in a different way, but nearly all had dealt with the crisis and started to grow again, at times quite rapidly, as soon as the dawn of a new peace appeared.

The development of microcredit programs in a brief and particularly difficult period, the flexibility demonstrated in adapting methodologies to circumstances imposed by extraordinary political and economic conditions, make the Eritrean experience a valuable one both for the content of its ideas as well as for the elements which it can offer to illuminate new potentialities for this instrument.

A comparison of the programs analyzed shows that the SZSCS and the SCP/ECDF are the most important from the point of view of the number of clients and the total amount of the loans. These are also the programs that managed to suffer least the effects of the war situation, continuing to operate during the years 1998-2000 and restarting to expand geographically after the end of the conflict. The Credit Program of the NUEW instead immediately saw a blocking of credit allocation starting in 1999 and restarted, in one region of the country only, in 2001, while the Mitias' Credit Scheme, begun in 1996, effectively ended after the start of hostilities in 1998. The larger and more consolidated programs demonstrated, with respect to several factors, a successful ability to more effectively deal with conditions of war.

As far as the financial and technical support to the programs is concerned, the only one not promoted by the Government of Eritrea is the Credit Program of NUEW, which instead saw these services conducted by an Eritrean Non-Governmental Organization (NGO) which obtained support in turn from various International NGOs in the first phase of its existence, and from the United Nations (UNDP) in the successive phases of the program's revival starting in 2001.

The SZSCS began with government funds, integrated later with financing from ACORD, a consortium of international NGOs. In contrast with the other three programs it utilizes resources stemming from the savings of clients to increase the microcredit fund.

The SCP/ECDF, a governmental program linked to the Ministry for Local Governments, was financed directly by the government and sustained by the World Bank. The program was until 2001 a component of the ECDF, a large development program of the country. But, through a dynamic transformation process, it has now become autonomous, with its own organizational structure called the Saving and Micro Credit Program (SMCP) and it is due to become, in the medium run, an MFI with an important coordinating role in the country's microfinance activities.

The Mitias' Credit Scheme, born of an agreement between the Government and the Commercial Bank, receives financial aid from both ACORD, the same consortium involved in the SZSCS, and from German Cooperation and the European Union.

In the discussion already in course, among the diverse governmental viewpoints on the role of government in microcredit policies, it is not yet possible to prefigure its role for the future. For the moment in the document that establishes the directive for the new organizational configuration of the SMCP (MoLG, 2001) only programs directly promoted by the government are analyzed and no other programs are mentioned.

None of these four programs pose as their primary objective, in the short run, reaching full financial self-sufficiency, postponing such a prospective, in the cases of SZSCS and SCP/ECDF, to future times when conditions of stability and development of the country, together with a more advanced level of the program's organization, allow for it to be more realistically made a goal. The two programs have explicitly made this choice. The other two programs, the Credit Program of the NUEW and the Mitias' Credit Scheme, have less explicit positions regarding self-sufficient financing. Currently, for all the active programs financing from donors remains indispensable.

Some differences emerge regarding the methodologies elaborated. All of the programs utilize a method of Solidarity Groups,

but these take very different characters in each case. The SZSCS has begun to operate along the lines of the Grameen Bank model. It has treated the solidarity group as collateral substituting for property collateral, but so far it has not developed a holistic view of "social recommendations" similar to that characterizing the Bangladeshi experience. With further respect to the Grameen model, certain aspects of village self-organization have assumed greater importance, augmenting the powers and functions of the Village Committees. As a result, it has been proposed, as an experimental phase, to make the Village Banks autonomous structures, managed by the clients themselves, residents of the village itself. In the VB model, the clients receive from the central seat of the program the initial technical and training support, but can then become an autonomous party, managing their own capital, credit and savings, and have the possibility of operating according to a different methodology than that of the central program.

The Village Bank is, instead, the jumping off point of the SCP/ECDF program. This program began to operate in a village only if the village assembly approved the institution of a Bank, specifying a minimum number of initial clients. The link with the local government is direct inasmuch as the coordinator of the Village Bank is the same as the Administrator of the local government; in the SZSCS instead, the link with the local institutions goes through the consultative Committee, with staff functions in the organizational structure of the program. In the SCP/ECDF, the Village Bank concedes credit according to the norms established by the central directors of the program. Its role is administrative and managerial, within the strategic general lines established by the Central Technical Unit, based in Asmara. This program also uses the solidarity group methodology in a form similar to that utilized by the SZSCS, identifying the group as the basic unit of mutual aid among the members as well as, fundamentally, the collateral instrument for repaying loans. The solidarity group of the Mitias' Credit Scheme has the

same functions; the group is utilized however in only one of the two sections (that based upon the rotating fund), and only in cases where there is no property collateral.

Both the Mitias' Credit Scheme and the SCP/ECDF together with the solidarity group methodology provide the concession of individual credit, based on economic types of collateral, available to clients able to develop business projects of larger dimensions than that of the financing obtained through the group. This distinguishes these programs from the other two, the SZSCS and the CP/NUEW, that instead do not diversify credit in this way.

Yet another function of the solidarity group is found in the Credit Program of the NUEW. In this program, the group, which is the basic organizational unit, maintains direct relations with the field agent and program technical staff, maintaining a background role for the village committees (Kiflemariam, R., 2000, p. 5-6). In the NUEW program, the constitution of the group revolved primarily around promoting mutual aid among the members and developing solidarity networks among the village clients. This program, unlike the others, does not impose co-responsibility on all members of the group for the debts of each, but underlines the need for cooperation, even in the case of individual business ventures. It now poses social goals as of first importance along with village relations, even at the risk of weakening the program's potential for self-sustainability. On the issue of credit solvency there are still differences. The CP of the NUEW despite prescribing the obligation to repay, does not expect, as we have said, the involvement of the entire group in the cases of insolvency. A great deal of confidence is placed instead in the group's ability to pressure the credit recipient. In the case of late repayments, symbolic fines are issued.

An articulated system of controlling insolvency is part of the SZSCS and SCP/ECDF programs. The repayment requirement involves not only the system of solidarity and co-responsibility, but also the entire community, through the assemblies of Village

Bank clients. In Eritrean culture, upholding agreements made, and repaying debts are felt to be important values. Failing in one's commitments could cause dishonor to all members of the family. Because of this, to make public a case of insolvency means not only to involve the community in the management of the program, but above all to bring very heavy pressure to bear on the clients in difficulties.

Each of the programs also differs with respect to their varying relationships with the organizations that originally promoted them and the consequent organizational implications. The SZSCS is configured as an autonomous structure, with personnel, offices, and resources exclusively devoted to its program, both centrally and peripherally. The SCP/ECDF was at first part of a larger development program and recently was recognized as an entity with an ample financial and organizational autonomy. The only exception is the Village Administrator who also assumes, along with his/her other offices, that of President of the Village Bank. He or she does not receive compensation specifically for work performed for the Village Bank. The Credit Program of the NUEW instead, as only one of the many programs carried out by the NUEW, all of which are oriented toward improving conditions for the women of Eritrea, is in a different financial and organizational situation. The budget for the microcredit fund is managed in separately, but the operators, structures, and instruments are shared with other NUEW programs. The Mitias' Credit Scheme was born as a program promoted and managed from one specific department dedicated to the reintegration of ex-soldiers. Due to this origin, it of course was at first managed as a part of this department. However, the credit program has always acted as an independent unit with its own resources, and specifically trained personnel. In the second phase, when incorporated into a larger department entrusted with coordinating all aspects connected with postwar reconstruction, it assumed a configuration similar to that of the NUEW program, with less autonomy and a consequent sharing of missions.

Only one program targets women head of households, as sole beneficiaries: the Credit Program of the NUEW. The other programs are not gender exclusive despite moving toward a strategy that sees women as a privileged target group. In reality, women constitute between 21% (Mitias' Credit Scheme, whose target group is primarily male) and 40% (for a summary of the programs and clients see Table 1). It is clear that all of the programs find it difficult to involve women clients in business activity without creating conditions reserved specifically for women.

The financial activities of all the microcredit programs remain principally agricultural and commercial, including, in the latter, handicraft production and direct sale of goods. All of the programs have developed primarily in rural areas. The development of microcredit in urban areas is foreseen however. For the moment, when the programs reach clients in urban areas, the area in question is usually a small urban center or the periphery of Asmara. A program of intervention to contain urban poverty is currently in the planning stage using microcredit, to be conducted in neighborhoods among the poorest of Asmara. It is expected that the program will involve innovations to deal with the specificity of urban poverty, such as the dissolution of the social fabric and the weakening of the traditional family and community ties, ties that constitute the network of reference for the rural programs. The Solidarity Group could become the point of arrival and therefore the planners are considering the feasibility of assuming trust in every singular relationship through the granting of credit on an individual basis.

Regarding the size of enterprises, the programs present similarities and differences. The Credit Program of the NUEW sustains typical income-generating activities. Other programs also sustain these types of activities, but the SZSCS is characterized also by sustaining micro-enterprises, while the SCP/ECDF and the Mitias' Scheme grant credit in significant amounts to contribute toward developing both micro and small enterprises. The

SCP/ECDF in particular, is planning to insert into its program an additional credit tier (the third Tier) to go toward developing medium-size enterprises. With the growth of the size of activities sustained, obviously, there is a move away from the original objective of reaching the poorest.

For accomplishing the objective of reaching the poorest people, the programs use diverse strategies. The Mitias' Credit Scheme has chosen, from the beginning, to privilege as a target group those who had engaged in combat, considering that this group found itself in particular difficulties; The NUEW seeks to reach one of the most vulnerable groups, targeting female heads-of-household; the SZSCS has studied various technical approaches (such as starting with very small loans and gradually increasing the sum, and also "trust loans"); the SCP/ECDF has built in two tiers of credit, designing the first specially for the poorest clients.

The programs that have suffered most from the war are the Credit Program of the NUEW and the Mitias' Credit Scheme. These have registered a lower level of repayment and have not been in condition to maintain growth in the number of clients. For the Mitias' Credit Scheme the main cause is the fact that the ex-combatants were called back to the front and added to this cause was the restructuring which caused confusion with regard to efficiency and management. The program has from the start been characterized by a certain ambiguity: the guarantee of a severance from military service, promised but only in part carried out, that has produced little clarity with regard to the requirement to repay loans.

In the NUEW program, the lower success in achieving organizational and financial self-sustainability has been interpreted variously. For the institutional observers, the low rate of repayment can be attributed to organizational weakness and poor training, and to the minimal distinction made between social assistance activity and microcredit. The latter, according to such

critics, should be managed according to market criteria, kept distinct from the former, which would go a long way toward achieving understanding among the clients. For the coordinators instead the causes of the difficulty are attributed to particular beneficiary subjects. The choice of women heads-of-household, a very vulnerable group, has imposed a need to be flexible regarding sustainability. The coordinators consider the low repayment rate not as an organizational failure but as an aspect of a different intervention strategy.

A critical point, brought out by the field operators in the peripheral zones, is that of the shortage of managerial training and market analysis. This leads to another question that is widely discussed in the literature on microcredit, connected to the issue of whether a minimalist or an integrated approach is called for. That is, whether it is preferable to include in the programs training or technical assistance or to limit the program to providing financial services. All four of the programs analyzed organize brief training courses for their clients prior to granting credit: the training is generally limited to how to gain the ability to manage credit and savings and does not include, usually, any technical-professional training for the carrying out of the activity financed. In all of the programs, the field agents advise, and, to the extent possible, follow the activity. Considering however, the large number of clients for each agent, the distances covered and the specific missions of the agents, one understands how their advice can seem to be merely episodic suggestions, general orientations, but not true and continuously available technical consulting for the enterprise.

There are in Eritrea examples of more precise relations between technical training and granting of credit. For example, the training program in the textile sector, accomplished by the Ministry of Industry and Commerce in collaboration with the ILO, trained the clients for the technical aspects of the work before beginning the process leading to the granting of loans

(with the SCP/ECDF) and providing logistical support during the first years of activity. Also, ACORD organizes courses in professional training, in the craft made textile sector linked to the business activity planned, beyond setting up the credit access process. These experiences have produced positive results according to the foreign observers and the coordinators of the programs, as well as the clients themselves²⁰. The words of Kidane Tzeggai, Director of the Department for Regional Affairs of the Ministry of Local Governments, emphasize choices made at the organizational level:

At first the problem seemed to be money; now instead we begin to come to other problems, among them the idea, the management. (...) The question that we are posing is to insert these aspects into the microcredit programs or instead to link up with other programs, other organizations to construct synergies (Kidane Tzeggai, 2001).

Table 1: Summary Of Microcredit Programs in Eritrea

PROGRAM	<i>A.C.O.R.D. SOUTHERN ZONE SAVING AND CREDIT SCHEME</i>	<i>National Union of Eritrean Women CREDIT PROGRAM</i>	<i>Eritrean Commu- nity Development Fund SAVING AND CREDIT PROGRAM</i>	<i>Eritrean Relief and Refugees Commission MITIAS' CREDIT SCHEME</i>
STARTING DATE	1993	1995	1996	1996 ENDED IN 1998
LOCATION	DEBUB REG. + 1 MAEKEL REG. SUB-ZOBA	5 REGIONS 1995- 1999 FROM 1999 MAEKEL REGION	5 REGIONS	6 REGIONS
BENEFICIARIES (*)	RURAL I.G.A. / MICRO ENTERPRISES	WOMEN HEADS OF HOUSE- HOLD/ I.G.A.	I.G.A. /MICRO / SMALL ENTERPRISES	EX-FIGHTERS I.G.A. - Micro/Small Enter- prises
METHODOLOGY	VILLAGE BANK (solidarity group)	SOLIDARITY GROUP Changes in collat- eral system	VILLAGE BANK (solidarity group) INDIVIDUAL	INDIVIDUAL SOLIDARITY GROUP
NUMBER OF CLIENTS	ALL TOLD 15,000 CURRENTLY ACTIVE 8,200 (oral sources)	ALL TOLD 1,700 ACTIVE IN 2001 283 (only in Mackel Region)	ALL TOLD Tier 1 8,550 Tier 2 462 CURRENT Tier 1 8,316 Tier 2 462	1,079 individual loans 2,204 solidarity groups
% WOMEN	40%	100%	TIER 1 33% TIER 2 32%	INDIVIDUAL 27% SOLIDARITY GROUP. 21%
TYPE OF ACTIV- ITY FINANCED	AGRICULTURE 50% COMMERCE 41% SERVICES 8% INDUSTRY 1%	AGRICULTURE 76% COMMERCE 23% SERVICES 1%	<i>Tier 1</i> COMMERCE 59.44% AGRICULTURE 34.33% SERVICES 4.41% INDUSTRY 1.82% <i>Tier 2</i> COMMERCE 43.94% AGRICULTURE 35.93% SERVICES 12.55% INDUSTRY 7.58%	<i>Individual Loans</i> COMMERCE 48.11% AGRICULTURE 30.57% SERVICES 21.32% <i>Solidarity groups</i> AGRICULTURE 74.32% COMMERCE 22.41% SERVICES 3.27%
TOTAL AMOUNT OF LOANS DIS- BOURSED	31,000,000 Nkf (oral sources)	From 1995 to 1997 2,000,000 Nkf in 2001 515,700 Nkf (oral sources)	Tier 1 44,500,500 Nkf Tier 2 8,890,450 Nkf Total 53,390,950 Nkf	Solidarity groups 7,443,098 Nkf individual loans 29,619,659 Nkf

Microcredit in Eritrea

AMOUNTS OF SINGLE LOANS	1 cycle: up to 3,000 Nkf 2 cycle: up to 4,500 " 3 cycle: up to 6,000 " 4 cycle: up to 8,000 "	1 cycle: from 500 to 2,000 2 cycle: from 2,000 to 3,000 3 cycle: from 3,000 to 5,000 (Nkf)	Tier 1: from 1,000 to 10,000 Tier 2: from 10,000 to 100,000 (Nkf)	Revolving Micro-credit Fund Min 2,000 max 5,000 (Nkf) Commercial Bank (not fixed).
SAVINGS	MANDATORY : 10% of loan VOLUNTARY Savings	MANDATORY: 10% of loan (in cases where expected) VOLUNTARY group savings	Tier 1: MANDATORY 10% of loan. VOLUNTARY group savings	MANDATORY for group loan: 15% of loan + 10 Nkf/month
INTEREST RATE OF LOANS	14%	12%	16% (Tier 1) 14% (Tier 2)	12% Solidarity Group 8% - 12% Individual
INTEREST RATE OF SAVINGS	7%	6%	6%	6%
REPAYMENT RATE	98,5% (1999)	60% (source UNDP)	95,07% (June 2001)	42% Individual 77% Solidarity Group
FINANCING SOURCES	Eritrean Government , ACORD Members' Savings	1995-1999 Various International NGOs 2001 UNDP	Eritrean Government, World Bank, Other Donors	Commercial Bank of Eritrea (Individual) Eritrean Government, U.E., ACORD, GTZ (Solidarity Group)
TOTAL BUDGET ALLOCATED	1,700,000 Nkf Government 6,018,164 Nkf ACORD until 1997 Afterward: data not avail.	1995-1999 2,900,000 Nkf (source UNDP) 2001 150,000 US\$	3,110,000 US\$ 1996 - 2001 2,000,000 US\$ 2001	Comm. Bank (data not avail.) Revolving Fund: 4,550,000 Nkf Operating costs (data not avail.)
SERVICES OFFERED	Credit, Savings, Training, Insurance	Credit, Savings, Training	Credit, Savings, Training	Credit, Saving, Training
ORGANIZATIONAL TYPOLOGY	Internazional NGO In Eritrea: micro-credit, professional training, emergency aid	Local: NGO Various policies in support of women	Autonomous program as part of ECDF in turn an autonomous unit of MoLG	Department of Government dedicated to postwar reconstruction and emergency aid

(* Cfr. Waterfield C. , Duval A., 1996 for Income Generating Activities (I.G.A.)/Micro Enterprises/Small Enterprises.

COMMENTS BY OUTSIDE OBSERVERS

After having analyzed the operative modalities, the contents and organizational structures of the programs; and after having gathered the experiences and comments on the part of the directors, we recorded the opinions of certain outside observers who are referents for the United Nations in Eritrea. In these years the UN had carried out an ample internal debate and discussion on the methodology of microcredit with the goal of shedding light on the value and the implications that it has in implementing new social policies in developing countries. We sought their views, even their critiques.

In these years the role of the UN in Eritrea was concentrated on emergency interventions but the UN agencies present in Eritrea have also been committed to sustaining the long-run governmental development programs of which the microcredit programs are a part (Firouz Sobhani, UNDP, 2001). The referents in Eritrea for the United Nations Development Program (UNDP), the United Nations Industrial Development Organization (UNIDO) and the World Bank, all confirmed the interest of their respective organizations in supporting the microcredit programs because these have demonstrated in other countries their ability to contribute efficiently to the struggle against poverty. Such UN agencies are further interested in sustaining programs that have women as beneficiaries because improving conditions for women is considered a key element in development inasmuch as it can be in itself a means to improve the conditions of the family and the community (Government of the State of Eritrea and UN Agencies, 1998, p. 16). For this reason the UNDP has decided to follow with particular attention the NUEW program and to support it financially in the hopes of reinforcing its institutional and operating capacity (Firouz Sobhani, UNDP, 2001).

The coordinator of UNIDO programs (Anders Cajus Pederesen, UNIDO, 2001) observes how microcredit in Eritrea is characterized, in contrast to other countries, by government involve-

ment. The SCP/ECDF is directly a part of local government, while the NUEW is an NGO, but is linked to the government for historical reasons. The ACORD program was begun following a government proposal. Intuitively, and in our opinion, the orientations that emerge from the discussions taking place within the government and between financial institutions and the government will be decisive. In Eritrea it is also an issue whether microcredit will be characterized as a social assistance program or as a social program with a banking organizational logic, and therefore oriented primarily toward financial sustainability. The UN is likely to find itself facing a set of choices derived from the policies made at the state level.

The ECDF estimates the potential demand at 250,000 informal enterprises that could benefit from microcredit. The evidence points to a wide discrepancy between currently reached clients and the potential for expansion. According to UNIDO (Anders Cajus Pedersen, UNIDO, 2001) such a discrepancy would allow for a more determined orientation toward self-sustainability and the question of interest rates. In Eritrea the interest rates in the programs are low with respect to the same types of programs carried out in other countries. Adjusted for the inflation rate it becomes minimal, even negative in real terms²¹. This is linked to two choices, according to the coordinator of UNIDO programs: on the one hand the government wants to help the population after the war, seeking to keep rates as low as possible, on the other hand the local administrations, which have a notable political influence, favor keeping them low in order to give to this part of the population the most immediate help possible. Maintaining a low interest rate however, requires continually injecting money into the programs, and, given limited resources, that means limiting the number of people reached. This is a decision that faces the government. However the observer of UNIDO has underlined that it would be useful to dissect this problem with the financiers of the programs and has argued for the necessity of explicit criteria: "One should not consider microcredit only as an eco-

conomic institution, but rather it can be considered an institution for social development and be aware that it requires support, but that explicit criteria are needed" (Anders Cajus Pedersen, UNIDO, 2001). In the organizational typology, for example, the NUEW program, unlike the others, is not structured as a separate unit within the mother organization, but rather shares, along with goals and modalities, human resources and structures with other programs oriented toward women. This can constitute a weakness. A microcredit program requires precise resources: people, computers, structures, and professional specializations on the part of the operators. All this becomes difficult when there is uncertainty as to who is to take initiative and among one or another structure with relative amounts of resources and abilities. From the clients' point of view as well, this is particularly relevant because they can find themselves facing situations that, within an institutional context assume the form of a donation while in other contexts it assumes the form of a loan with the obligation to repay (Anders Cajus Pedersen, UNIDO, 2001).

As to the social impact of these programs, it is difficult to make a credible evaluation. It has not been possible up to now to conduct studies with precise social indicators, in the same village, before and after the microcredit intervention. Notwithstanding a willingness to do so among the operators, everyone agrees that it would be very difficult to isolate the real benefits received from the programs from the benefits received from other events (e.g.; the rain, which can be more or less abundant and on which the well-being of the rural community depends). Given these premises, it is certain (Anders Cajus Pedersen, UNIDO, 2001) that where a combination of, first professional training and then credit is present, the results obtained have been good. An example is the professional training program carried out in 2000 by the Ministry of Commerce and Industry in collaboration with the ILO, that was conducted with success. A group of women received training in textiles, lasting a few months, and once training was concluded they proposed starting up an autonomous textile business based

on the ability acquired, seeking credit from the ECDF/SCP program, in order to obtain a hand loom.

A much-debated subject (Anders Cajus Pedersen, UNIDO, 2001) is that the local culture is determining on the question of debt. This constitutes a very important social and cultural aspect that can have great influence, even on how to evaluate the success of repayments. If a person takes out a loan in a village and then cannot repay it this will be remembered for generations and will cause a certain loss of faith toward the family. On the one hand this fact can lead to reluctance to participate due to the fear of falling into debt, on the other it means that if someone decides to enter the program, they are certain to repay it. While microcredit is currently concentrated in rural areas, growing urbanization suggests, according to a further observation of the UNIDO coordinator, that the program's movement toward urban areas could lead to a greater operating efficiency given the greater concentration of population.

Positive comments concerning the issues discussed above, were expressed by the director of the World Bank programs in Eritrea (Emmanuel Y. Ablo, B.M., 2001). In the SCP/ECDF program, financed by the Bank, the high rate of repayment, despite the country's difficult situation, is positive enough to lead to planning an expansion and development plan for the program. Funds for the next phase (2001-2005) are expected to be \$ 13,000,000 US, even though not yet definitively designated. The weak points of the SCP/ECDF, according to the same source, regard the ability to save and the development of enterprise scale. The program should seek to increase savings by clients and to support enterprise growth, favoring the passage from micro to small enterprise and then, bit by bit, toward larger enterprises through ever-larger amounts of credit. The World Bank calls for working on these points in the next phase of the program's development.

Finally, the World Bank observer (Emmanuel Y. Ablo, B.M., 2001) recognizes that the SCP/ECDF has contributed a great deal in recent years to professional qualifications for the personnel in institutions, especially at the regional level. In fact, it is currently providing training to the staff involved in accounting and recording credit in the program's management. This contributes not only to the specific program but can be carried, more generally, to contribute to development improving the quality of human resources at the local level.

Notes

1. The exchange rate for the Nakfa in US dollars is considered on average for the period 1996-2000 to be \$1 US/10.5 Nkf.
2. From other knowledgeable sources (interview with the Program Coordinator) the contribution made by ACORD to the program, from 1994-1997, came to 3.5 million Nkf (Hasebenebi Kaffel, 2001). In the program's pamphlet the number reported was 6 million Nkf for the period 1994-1999.
3. The data refer to August 2001. Currently the ceiling for the first cycle is 3,500 Nkf while that of the fourth cycle comes to 10,000 Nkf.
4. The data refer to August 2001. Currently the maximum has been raised back up to 10,000 Nkf due to a considerable increase in market prices.
5. In the document entitled 'NUEW's Credit Policy,' edited by Rosa Kiflemariam, Project Division, in December 2000, we read, "Formation of Village Committee: Four women who are members of NUEW, a man from the village parliament, coordinator of the credit and saving program and a volunteer, form the village committee and the committee is responsible for the credit groups formed. This village committee recognizes the interested and trustworthy credit groups". Further, in the same document, where provision of credit is discussed, "(...) the village committee assesses and recommends on the credit application" (Kiflemariam R., 2000, p. 5-6).

6. This Department also includes as a sub-department the Projects Division.
7. In the programmatic document the following interest rates are indicated: "Interest rate types: revolving fund (interest free); small interest rate (4-8); 12% interest rate" (Kiflemariam R., 2000, p. 6).
8. As of August 2001.
9. As of August 2001.
10. As of August 2001.
11. This information comes from statements made by a VB regional coordinator during a meeting of the Village Bank of Dekishiai, Gash Barka Region, held 23 August, 2001 at Dekishiai.
12. As of June 2001.
13. As of June 2001.
14. As of June 2001.
15. Consulting Service of ECOSOC, WOLDTAM, GECON.
16. This impact study was conducted by the consulting service ECOSOC, WOLDTAM, GECOM, WORKFU.
17. As of June 2001.
18. As of August 2001.
19. As of August 2001.
20. For precisely this reason, the responses obtained through interviews are important, since at this time there are no statistical analyses available.
21. Inflation for 2000 in Eritrea stood at 14.6% annually (ECDF/SCP, 2001, p. 23).

CHAPTER FOUR: THE WOMEN PARTICIPANTS

THE INTERVIEWS

We carried out 28 interviews with clients: 10 with clients of the Southern Zone Savings and Credit Scheme, 6 from the Credit Program of the NUEW, 11 from the Saving and Credit Program of the ECDF, and one with a women who had obtained credit through the Mitias' Credit Scheme. The purpose of the interviews was to understand how the program had affected the life of the clients, what improvements it had made and what difficulties had been encountered. Beyond the evaluation studies of the operators and managers and their discussion, the opinions of the clients constitutes an important source for determining the impact of the programs.

In order to conduct the interviews that follow, we needed a program operator because due to the great territorial dispersion and the lack of census data it would not have been possible in any other way to reach the clients. It was further necessary to have an interpreter present because although the program staff speaks English, we needed to converse in Tigrinya with the clients. In three cases a double interpreter was needed, due to the clients' Tigre language and ethnicity. These conditions undoubtedly imposed certain limits on the possibilities of gathering particularly delicate information. We were nevertheless able to delineate an area of common understanding so as to present the points of view of the clients. Such elements will be presented according to

the themes utilized in the semi-structured interviews (see appendix 1).

THE THEMES USED IN THE INTERVIEWS

Personal and family information

This area concerns acquiring certain data on the clients, such as family composition and the characteristics of their place of residence in urban or rural contexts.

Five of the women interviewed were younger than 30, another 5 had ages ranging from 30 to 40, while the other 18 were older than 40, with 3 older than 50. Half (14 women) were heads of household, even in some of the programs not specifically dedicated to this group. Of the married women, in two cases their husbands were at the front, one's husband lived abroad, and in three cases their husbands were incapacitated by illness.

Of the 28 women interviewed, 21 had children who were still minors: of these, only three were mothers of only children, while the others had, in 10 cases, up to 5 children, in 8 cases more than this number. Only 6 of the clients live in cities (3 at Asmara, 2 at Agordat, and 1 at Afabet) while 8 lived in towns and the other 14 in rural village reachable only with four-wheel drive vehicles or with animal transport.

Economic conditions

This theme was aimed at knowing on which member the family depended for its sustenance. We further inquired as to the kind of economic activity carried out by the client and as to any possible change brought about by microcredit.

Of the 28 women interviewed 20 were the principal, if not the only source of income for the family; in 5 cases the family included elderly or disabled persons to be cared for. The types of activity started up with microcredit loans were mostly commercial (of 15 women active in commerce, two were peddlers) and in part agricultural, raising livestock (5 women). Two women were

textile artisans. One woman had, along with her husband, set up a micro-enterprise producing knitwear, two worked as hairdressers, another two had bars, one had a bakery. In 16 of the 28 cases, women had started up new businesses, based upon the loans received, while in the other cases, the loan was used to expand an existing business managed by the woman.

Access to credit and its various phases

In this thematic area we wanted to investigate whether there were other possible sources of credit aside from the microcredit program, the time spent in the program by the client, their progression through the loan cycles and the uses of the credit itself.

We found that prior to accessing the program, the women interviewed had not had any experience of credit and had been dependent solely on their own resources and help from their extended family. Twelve of the clients are at the first cycle of their loans, while others have requested and obtained various cycles of loans, gradually increasing the amounts. Eight women are at the second cycle, two at the third, one at the fourth, two at the fifth, two at the sixth and one client had received her eighth loan.

In one case, the client had begun her experience with credit through the NUEW program, but, due to the suspension of this program, she had asked for and was allowed to enter the SCP/ECDF program, continuing with her projects. The clients had participated in the programs, in 11 cases, for less than one year, in 6 cases from one to two years, in 11 other cases for more than two years. Of the latter, three clients had obtained credit starting from 1993, the year that the program started in the country. The credit in all cases was used principally to acquire productive resources: tools for starting work, or goods obtained by wholesale to carry on retail. In two cases, where the cycles of credit had been repeated (4 cycles in one case, 6 in another) the credit was also utilized for housing renovation.

Criteria, methods and conditions of programs

This theme involved learning the various ways in which the first contact occurred between the clients and the credit programs. This carries implications for the methods of the micro-credit programs and for how these are understood and experienced by the women who take advantage of the credit available.

The clients came to know of the programs through word of mouth, through the Women's Association, or organizational meetings of the local government in the village, as well as, in one case, through information heard on the radio.

One client who had had access to Level 2 of the SCP/ECDF, the client who used Mitias' Credit Scheme, and one client of the SZSCS who had access to a particular line of credit dedicated to war refugees, had obtained individual loans, while all of the others interviewed had loans based on the methodology of the solidarity group. The women speak in generally glowing terms about the group and the modality of participation in the group seems to be understood and accepted. In not one interview did we hear of intra-group conflicts, nor were any particular problems brought up regarding either the constitution or the management of the group. The group's composition was chosen from among themselves based upon personal acquaintance prior to the program. The clients came from a group composed of women and men in 8 cases, but more generally (in the other 17 cases) the women interviewed participated in a group composed only of women. The leader of a group would be chosen because "she knows how to speak without getting people angry," according to Zaid T. who was interviewed on 20 August 2001 at Asmara; or because she knew how to read and write as stated by nine other interviewees. Regarding the motives for choosing a leader, 10 expressed and the others generally affirmed that the choice was made on the basis of a shared trust.

Concern about the working model based on the group emerged instead on a very different occasion, during the assem-

bly of a Village Bank which had been in existence for only three months, held on 23 August 2001, which we were able to attend because we were accompanied by field agents of the SCP/ECDF credit program. Some clients, expressing various concerns, demonstrated difficulty in accepting the solidarity group system, asking how it was possible to be involved in guaranteeing the repayment of credit by persons about whom they did not know their income, their private circumstances, their choices. These questions led to discussions among clients and to the field agents seeking to clarify the issues. These difficulties did not appear in the interviews with the clients whose testimonies instead emphasized the support they had derived from being part of the group.

In the programs the women had had an opportunity to participate in a training program before obtaining loans. Such training was focused on, in every case, the procedures and rules of credit. However, the women had decided on their own what sort of business activity to start as well as the use of the loan. They rarely sought advice, and usually only in a general way, from the field agents regarding concrete productive activities, and the same goes for both managerial and technical advice. Only two interviewees had instead taken a training course for textile work organized by the Ministry of Commerce and Industry. At the conclusion of the course, it was suggested that the women participate in the SCP/ECDF program in order to obtain credit that could be used for the productive business that they had trained for.

These responses reflect, all told, the reality of the organizational policies of the microcredit programs in Eritrea and until now there has been little intervention into these areas.

Decision-making

This part of the interview focused on any spaces of decision-making and managerial autonomy the women had in the family as well as in the economic activity, and what changes led to accessing credit.

In 7 cases out of 28, the husband played an important role in the decision to participate in a credit program and in the related decisions. One woman cited her adult children as having supported and encouraged the decision, while another mentioned her mother. In the other 19 situations, the women interviewed stated that they decided independently to have a business, and on their own made all decisions related to managing the family's daily life as well as those related to business activity. In one case, the client stated that she had decided to access credit in order to support her personal decision to reduce her economic dependence on her husband.

From these interviews, the question of women's empowerment does not seem to have emerged explicitly as a goal or a result of microcredit. The women interviewed, rather, seemed to have already had in their own hands control of family and economic activity in many cases being the main providers for the entire family. Microcredit instead became an additional resource that they can use. However, in order to understand more deeply the contribution of microcredit to the decision-making power of women, the complexity of conditions of women in Eritrea is not to be minimized, nor its contradictory aspects.

Changes in behavior and roles

This area of the interviews sought to study improvements brought about by the programs in the daily lives of their clients, as well as any aspects that made life more difficult. We wanted to record any changes in the way of life, behavior, and relationships among clients in their communities.

Ten interviewees stated that, once they had obtained financing, the hours of the day spent in productive work increased. The other clients found no difference compared with their previous situation. Not one of the women reported any changes in the distribution of tasks – either economic or domestic – with their husbands, while, in four cases, the increase in the hours of work brought about a changed division of roles within the family.

These reported an increased responsibility for the care of the children (three out of four) falling on the shoulders of the adolescent children, as well as for the housework, leaving the mother free to engage in the business activity. Two women stated that their current business (which were respectively a grocery and a bar which they ran out of a room in their houses), started with credit, allowed them to be at home more often, with their children, instead of at work as before when they worked as agricultural laborers.

As far as participation in community life is concerned, two interviewees cited a minor participation: their examples included weddings, funerals and visiting the sick. These are important moments in the relations among the residents of the village. One woman was unhappy with this aspect: Asmeret G., interviewed 22 August 2001, at Debarwa, in the Dehub region stated,

Now I can no longer as I once did go to visit the sick, participate in weddings, funerals or social ceremonies because the most important thing now is work and it leaves me very little time for rest. Even when I worked at the Ministry I had some time off, but now my hours have increased.

A second woman is less displeased, finding the work a "good excuse" for getting out of community obligations seen as onerous. Abrehet S., interviewed 31 August 2001 at Adi Gua'dad, in Maekel Region expressed the issue in different terms: "My role in the community has changed because now, even if I have to visit people, I cannot remain for long and chat because everyone knows that I am busy with the chickens. So I am free from all the voices in the village and I am happier this way". In one case, the client referred to the activity started with credit as a reason for increasing her sociality because hers was a service open to the public.

Three clients reported clearly the support received from the community for starting their project. In two cases, this support

consisted primarily of expressions of approval from villagers applauding their efforts to improve their condition. In one other case instead, the support was a result of the presence of the program in the community. The fact of having become a part of a group and participating in a program, gave the interviewees a sense of confidence in their capacity to deal with unforeseen problems, not being cut off from the knowledge, previously non-existent, that there was someone not only disposed to help them but who was indicated to them as a reference in cases of need.

In the great majority of interviews, however, questions concerning relations with the community encountered notable difficulties and reticence. A high percentage of women did not respond (22 out of 28). This refusal is undoubtedly important and suggests some reservations but also a form of self-defense by the community connected to Eritrean culture, which emerges in particular when one comes close to issues of the private sphere.

Bureaucratic burdens and behavioral norms

Here we explored how the rules and the accomplishments required by the programs were seen and dealt with by the clients.

There was no evidence, in any case, of any difficulty related to meeting bureaucratic obligations or behavioral norms. The obligation mentioned by all the clients as the most important was the meeting of repayment obligations by the payment deadline. The periodic meetings of the group are required but in no case were they described with a sense of burden or boredom, while, in eleven cases, the pleasure of meeting friends to talk about the program and other subjects was mentioned. In five cases, interviewees reported examples of certain flexibility in how the rules were applied: in one case the progression through the cycles of credit was allowed regardless of the fact that the rest of the group had not reimbursed their loans. In another four cases, during the rainy season, during which everyone is more occupied with work,

the group meetings were not necessarily scheduled with the usual regularity.

All in all, as deduced from the interviews, where criticisms and complaints were not readily apparent, all of the programs have bureaucratic procedures and requirements that are minimal enough, and are more relevant to the field agents than to the clients. There are not any norms and expectations of social behavior that could end up being at odds with traditional modes of life.

Changes in economic conditions

This part of the interview was devoted changes brought about by the programs in the economic situation of the clients. We sought to identify aspects of life that had been improved as a result.

It was difficult, for nearly all of the women, to quantify with any precision the economic advantage they derived. Further, in nearly every case (24 women of 28), the women declared their satisfaction with the improvement achieved in their conditions, but had difficulty when asked to describe just what that improvement was. An economic benefit was not obtained in only one case where the productive activity was unsuccessful due to repeated accidents. In three cases, the business had existed for only three months, too little time for the respondents to evaluate whether the microcredit program had improved their conditions yet. For 13 interviewees the improvements were first of all in diet. Aside from food being more abundant, it had for these women also become more varied. Second only to dietary improvements were those in housing conditions (cited by 7 interviewees): the acquisition of a couch, of beds, fixing a broken wall, or even, in 2 cases the construction of a new house provided with hygienic services (which were lacking in the previous abode). Only one cited transport. In one case the interviewee cited the possibility of sending the children to school; in three other cases women mentioned that they felt calmer and more secure regarding schooling for the

children whereas before they had lived with anxiety anticipating the deadlines for school expenses. Access to water was not mentioned as an improvement. Neither was health – either their own or that of their families. This can be understood in the context of the local situation: in the areas where we conducted interviews, water, generally is distributed by the local public authority and the cost, at least as of now, is quite low. Also the basic public health services, notwithstanding the limits of Eritrea's health system, were provided at affordable costs for the very poor.

In 8 interviews, the principal advantage indicated by women was to begin to be more economically autonomous. In one case, this meant autonomy with respect to a husband, in other cases with respect to the extended family or to social assistance distributed as emergency aid by the government or by international organizations.

The reluctance to speak more profoundly of the economic aspect may be attributed to the fact that the interviews were conducted in the presence of both personnel of the programs and of foreigners. It is understandable that one could have the idea that the information provided in the interview could prejudice the outcome of further credit applications in the future. Beyond this, one must remember the difficulty involved for the women in keeping regular bookkeeping, which was often totally lacking or episodic. Money comes and quickly goes for family needs or for the business, and in the vast majority of cases, the two are scarcely differentiated.

Only one woman (Freweini T.B., 2001) had had access to Tier 2 of the SCP/ECDF program (where the size of loans and the scale of businesses are decidedly larger). In two situations it is appropriate to refer to micro-enterprises, while in all the others the businesses remained at the level of income-generating activity.

Changes in social relations

The interviews at this point focused on the relations between women clients within their own families and in the larger community. We sought to learn, also, when possible, how satisfied the women were and the involvement of other people in their projects.

In three situations, among the married women (who numbered 14), the husband supported the project and cooperated, while, in one case, he was not involved and tended to even oppose it. Birikiti T., interviewed on 6 September 2001 at Agordat, in the Gash Barka region, told of her experience, "My 26-year-old son and my husband were against my applying for a loan because the local culture teaches that debts go bad, that they put you behind, that they bring you troubles, but I wanted to try anyway". Four women also convinced close friends of theirs to join the programs, considering it an advantageous opportunity.

On this subject as well, we discovered a reticence analogous to that involved in the discussion of changes in behaviors and roles: we hypothesize again that this subject matter may verge on aspects of the private sphere.

Difficulties

Here we asked the client to speak generally about any difficulties they had encountered in the program as well as any strategies they used to overcome them.

The obstacles most often mentioned were connected to the difficulty of finding an adequate market for their products, as 6 of the interviewees testified. In three cases problems arose when it became necessary to redirect part of the resources that were supposed to go to the business toward impending family needs (illness of a family member, children's weddings). The strategies used to overcome such difficulties were to differentiate business activity: the microcredit was used to keep several different busi-

ness ventures going simultaneously (the case among 4 interviewees) or over successive periods (among three cases).

Two women mentioned obstructionism by other merchants selling similar products as an obstacle, and being pressured to not become competitive. One of these cases was resolved through dialogue and the client has continued the business activity, while in another case the issue remains unresolved.

Future prospects

This part of the interview concerned the expectations and plans on the part of the clients, and also the extent to which the program retains space for suggestions by the clients themselves.

Most of the women interviewed (20 of 28) want to continue to take advantage of microcredit and dream of increasing the size of their business or of creating a new one. The others have no plans for future participation. In 5 cases, clients suggested increasing the amount of the loans, requests made to SZSCS-ACORD, which is evaluating the idea, while SCP/ECDF has already instituted the two tiers of credit.

THE INTERVIEWEES

Rezan A., interviewed on 21 August, 2001, at Sereggiaka, in the Region of Maekel, Client of the Credit Program of the NUEW.

Rezan A., 28 years old, is a mother with a child of 3, is separated from her husband and lives in Sereggiaka, a village situated about 30 kilometers north of Asmara. Before obtaining credit from NUEW she produced and sold local beer (*sua*) but made very little from it, and never had any money in her pocket. Now she has opened a hairdressers' shop. She does not yet have electricity, and so she cannot have a drier, but she does the traditional hairdos, and irons the hair with a hotplate.

She had never before asked for a loan. In March 2001 she obtained a loan of 3,000 Nkf with which she bought a mirror, a sink for washing hair, scissors and the plate. She was active in

the Women's Association, and so she quickly learned of the start of the program. She participated in a group of four women in which the other women managed small general grocery stores. She began also to save 25 Nkf a week, the sum decided upon by the group for each of its members to achieve. Up today the treasurer of the group kept the saving of each member but now the sum has been increased and the women deposit it in a bank in the name of the entire group as a collective.

There are many women that make *sua*, but many of the men who buy it were at the front. So she decided to start a hairdresser's because no one in the village had one and there was a group of young women, students, available as potential customers. She decided on her own to ask for credit and what to do with it, and this was the case with every decision of hers. She spends her day working. Her child stays in the shop with her sometimes, sometimes in the street in front of her house, playing with the other children. She keeps some books of income and expenditures for her own personal use, but the program requires only the reimbursement rate during the monthly meetings promoted by the Women's Association in the village.

Despite the fact that her business has only recently started up, she already sees a gain from it: today she feeds herself and her child without difficulty. She has also decided to buy a couch, which she has placed in the room of her house used for the shop. She says that she is not concerned about the rate of repayment because she sees that she is working: some days only one person comes in, but on others she has six or seven customers. The market price is about 20 Nkf for the traditional hairdo for women, 15 for simpler services.

Zaid T., interviewed on 20 August, 2001 at Asmara, in Maekel Region. Client of the SCP/ECDF program.

Zaid T. is 38 and has seven children. She lives in Asmara, the capital. Her husband died six years ago, the same night that her last child was born. All of her children are still attending school—the oldest is 15. She is the only income provider for the family. Before obtaining credit, because she was a widow, alone and poor, she was assisted by the Combonians, a Catholic religious institute, at the suggestion of the local government. Through the institute she learned to embroider fabric and to produce some goods. At first the institute paid her with 15 kilos of flour a month. Payment was later made in money: for all of the women involved payment was proportional to the number of children that each had. In her case that meant 430 Nkf a month. The Combonian program however, has a time limit: within two years the woman must find other means to live. So, while she was looking for a work as a cleaning lady in some public buildings or in families, she learned of a training course organized by the Ministry of Industry and Commerce for textile work and she decided to enroll. She had never applied for a loan before; at the end of the course, in May of 2001, she was asked to join a group of friends from the course and to participate in a credit program. She decided to join and obtained a loan of 2,000 Nkf which she used to buy a handloom. She used the handloom to start her textile business. Zaid knows how to read a little, but not how to write. For registrations she trusts on the group leader, who is considered by Zaid, aside from knowing how to read and write, to be a person capable of understanding others. The group commitments are not a problem because the women are all friends.

Zaid decided, on her own, simply because she has no one with which to discuss such decisions. In the morning she gets up very early, does the most important parts of the housework, makes *ingera* (the local bread), instructs her children on what household tasks they must get done, then gets to her handloom

where she remains until the evening. She says that she is satisfied with the economic results she has achieved. When she has completed a bolt of cloth, she goes in person to the market to sell it. The cloth that she was weaving at the time of the interview required 4 days of work and Zaid estimated that she would be able to sell it for 100 Nkf. The most important improvement was accomplished in her family's diet. Further Zaid stated that she felt more relaxed, and because she enjoys her work, and while working she does not think about all of her cares. She currently uses a site made available to her by the municipality for one year of free usage. Her business is however independent and she is repaying the loan in monthly installments and dreams of having a shop all her own where she can sell her own cloth.

Asmeret G., interviewed 22 August, 2001, at Debarwa in Debub Region. Client of the SZSCS program.

Asmeret G. is 39 years old and lives with her husband and seven children ranging from 4 to 17 years of age. The oldest are still in school. The family lives in Debarwa, a small urban center in the Region of Debub. Once it was her husband who worked: he had a small knitwear shop and sold his products directly, but he was called up for military service about two years ago. Since then she has continued the family business: the micro-enterprise provides work for them and their two employees. Until five years ago they lived in Asmara: the husband was a teacher at a professional training school, Asmeret worked as an office cleaning staff at the Ministry of Education. Both their salaries were limited, and it was difficult to make both ends meet, and they were further both unhappy in their work environments, leading to disaffection. They decided together to change their lives: they went to Debarwa and set up an independent shop producing sweat-shirts. At first they worked alone and were unable to produce very much; then they heard about the possibility of applying for a loan, thanks to SZSCS. Her husband obtained the first loan of 2,000 Nkf. in 1997 and then a second for 3,000 Nkf. With

this money they bought a machine for producing knits and a lot of wool, and then another machine for making embroidery, and later hired two workers as production increased.

After the first two loans, her husband could not ask for anymore: a member of the group did not repay a loan and so the entire group was prevented from borrowing until the problem could be resolved. The group asked the organization to grant more time and the organization accepted that: they did not go to court, and they are seeking among themselves to find a solution. In the meantime, however, Asmeret was able to obtain a loan through joining the program, borrowing 2,000 Nkf. and then another 3,000, and yet another 6,000 a year ago. She is now repaying these loans at a monthly rate, and is expected to repay them completely within two years. Given this experience, she was very careful about selecting the persons with whom to form a group and decided to join with three other women that had already had a positive experience within the program. Asmeret says that the program has been like a mother for her and her husband, because it has allowed them to become independent and not to have to depend on anyone.

Asmeret told us that she is not able to specify the amount of her income, but that her economic situation has certainly improved. This allows her to better her family's living standards, starting with diet. Despite her husband's recall for military service, the business is sound and continues. She would have had serious difficulties instead had she remained in the previous situation, namely when both she and her husband were employees in Asmara. The principal difficulty now concerns her working hours, which are by definition very long, and which require her to neglect other aspects of her life. The business is going well, even if recently the demand for knits has fallen somewhat. Asmeret has faith that, with the return of peace, her customers will increase again, and she, with her next loan, plans to buy another machine costing 10,000 Nkf which will allow her

to produce school dresses which are in demand. Given this, she hopes that the program will increase its maximum limit on loans which is currently 8,000 Nkf to at least 10,000, because she needs this much. She says she is not able to go to the Commercial Bank of Eritrea because of the bureaucratic procedures and the collateral required. The Bank is also too far away because it does not have a branch in Debarwa. She says further that, "in the program we are friends, at the Bank, no."

Right now her family lives in one room: one room is for living, one for working, but she has just obtained the land from the municipality and they will begin building the house soon.

***Meheret F.*, interviewed 23 August, 2001 at Mekerka, in the Maelkel Region. Client of the SCP/ECDF program.**

Meheret F. is 42, and lives with her husband and their nine children ranging in age from 4 to 26 years old. They live in Mekerka, a rural village situated around 40 kilometers from Asmara. The two older children are performing their military service, while the youngest all go to school. She manages a bar, while her husband works as a laborer in other people's fields. During the war of independence she was a refugee in the Sudan with her family, where her husband had started a business. In 1993, after independence was proclaimed, she and her husband decided to reenter Eritrea. At first they had nothing and lived only thanks to the help of relatives that took them in upon arrival. Later, her husband began to work as an agricultural laborer. Meheret decided instead to open a bar, and to develop it she decided to enroll in the credit program in 1998, obtaining an initial loan of 750 Nkf which she repaid 6 months later. She later obtained other loans, six in all. The last amounted to 2,000 Nkf. and will be used to renovate the house. She has purchased a counter, tables, chairs and has increased the variety of products she sells. Her husband, during a meeting of the Zoba heard about the SCP/ECDF program. They decided together that she would ask for credit to improve her bar, which was at first badly

furnished. Meheret F. is leader of a group formed by 4 people, two women and two men. The group has remained stable since 1998 and has not seen any problems among the members, indeed friendships have emerged as a result. Meheret has received some advice from the operators of the program regarding the times and methods of group meetings, rates of repayment, and other aspects of the program, but has made the decisions about acquisitions on her own. The organization of her workday has not changed due to her access to credit because she had opened the bar previously. Credit, though, has allowed her to significantly develop her business. Meheret says that the bar allows her to spend a good amount of time with her children, since, had she not started it, she would have had to work outside the home in the fields like her husband. She has seen her economic condition improve since she does not have to depend on anyone and her children are growing up well. Recently nearly all of the young people of the village have had to go into military service. Because of this Meheret finds herself in some financial difficulty because the bar sells less since young people are the primary customers for a bar such as hers. She is therefore planning to buy some chickens and to raise them with her next loan, after having asked for and received the land for it from the local government.

Letab, S., Interviewed 22 August 2001 at Debarwa in the Dehub Region. Client of the SZSCS program.

Letab S. is 38, and has seven children: two twins 14 years old, and five other with ages ranging from 6 to 12. She is divorced and the sole provider for the family. She lived at Barentu, in the Gash Barka Region. But because of the war with Ethiopia, which broke out in 1998, she had to leave her house and become a refugee, ending up in Debarwa, in the northern region of Dehub, an area that at that time was safer. In Barentu she sold *tekni*, *sciro'* and *berbere'* (local flours and spices). She arrived in Debarwa with her children and without any possessions, not even a change of clothes. She had even sold her eyeglasses in order to buy food to feed her

children. They lived for a while in a tent in a refugee camp. During this time she participated in government meetings at which food was distributed (sacks of flour). At one of these meetings they described the SZSCS credit program and Letab, in December 2000 requested a loan. Since people who had lost everything because of the war could access a special line of credit, she took out a loan for 4,000 Nkf. which she used to rent a house, bought two beds, signed the children up for school and bought a large amount of foodstuffs wholesale. The twins, for their part, alternating school attendance between them, opened up a small shop in their house, while Letab went from house to house reselling the food that she had purchased wholesale. Within four months she had repaid the loan and quickly obtained another for 5,000 Nkf, which she must repay within two years. This time she will pay on schedule and not in advance because she wants to begin to improve her life. Now she lives reasonably well with her children. She is able to provide for her family, to pay the 230 Nkf a month reimbursement of the loan and to save about 100 Nkf. a month. She still receives aid in the form of grain, lentils, and oil that are provided to refugees, but she is also able to acquire *teff* flour (a cereal) used to make *injera* (the local bread). The people in the village know where she started from and the fact that she has been able to achieve her current conditions has created a certain sympathy for her. Now that the war is finished she does not intend to return to Barentu, since by now she has come to feel at home in Debarwa and the climate is better. She hopes to be able, with time, to build a house of her own instead of paying rent.

***Abrehet S.*, interviewed 31 August 2001 at Adi Gua'dad, in the Mackel Region. Client of the SZSCS program.**

Abrehet S. is 45 years old, the mother of five, divorced from her husband, and she also takes care of her elderly mother and her disabled brother. She works as a cleaning woman in the Ministry of Agriculture offices, but her pay (530 Nkf. a month) is insufficient to take care of the family's needs: she is the only provider for

8 people. In August of 2000, because of this situation, she applied for and obtained a loan for 3,000 Nkf. from the SZSCS program, with which she purchased 112 hens and six months' worth of feed. She is the leader of a group of four women that all have the same business. Abrehet says that the women who comprise the group did not understand the instructions provided by the field agent during the monthly meetings very well. Due to this, during her group meetings, which are weekly, it is her job to clarify questions of her companions. She did not need help from the program to set up her business, since inasmuch as she continued to work cleaning offices at the Ministry of Agriculture, she is able to benefit from information obtained from her work colleagues. Now she divides her time between working at the Ministry and this new business of raising hens. She has less time to devote to relationships outside of work, but she speaks of this as a positive aspect and says that social obligations don't interest her much. Her commitment has had positive results: she was able to repay all her debts and her income has increased thanks to the sales of eggs at shops, bars and restaurants. She has been able to accumulate a savings of 750 Nkf. She has not started yet to sell chickens, but is waiting for the other members of her group to repay their debt to ask for another loan to increase her yield. The difficulty she has encountered involves the presence of other people in her area that also have the same business and tend to sell eggs at lower prices in order to gain customers. Abrehet has begun a dialogue with some of these people on the issue of prices. She considers herself a courageous woman and has large projects for the future in mind: to renovate her house and to build a larger henhouse.

Sitel M.A.F., interviewed 4 September 2001, in Afabet, in the Northern Red Sea Region. Client of the NUEW credit program.

Sitel M.A.F. is 55 and lives in Afabet, in the Northern Red Sea Region. She is married and her husband is blind. They have three sons of whom two are at the front and one lives with them.

This son is disabled: when he was seven, running away during a bombardment he fell badly and his legs are paralyzed. She also has two daughters: one is married and the younger one (17 years old) is divorced and so has returned to live with the family. It is Sitel that provides for the family, managing a general store, which she opened in one room of their house. She arrived in Afabet in 1993, from the Sudan where they had lived as refugees. In the Sudan her husband had a job enabling them to live. When her husband became blind from an illness they decided to return to Eritrea. After arriving in Afabet she kept the family alive day by day by selling all her possessions. In 1997 she learned of the credit program by attending meetings of the Women's Association (NUEW). After having participated in some training meetings organized by the association, she obtained a loan of 1,000 Nkf. that permitted her to open a small store, which even today provides for her family. She repaid the loan in 12 months, making payments at the monthly meetings of the Women's Association. After this, she was not able to request further loans because the program was suspended in her region. Sitel was the head of a group of four women, who all had similar businesses and who helped each other: for example they went together to Keren (the largest urban center in the region) to acquire the products that they sold. One woman in the group had serious family problems that prevented her from repaying her loan. All the group members were therefore unable to collect their accumulated savings of 120 Nkf. Notwithstanding this difficulty, Sitel has positive memories of her experience in the program. She made all her own decisions with respect to the credit program, just as she does all those related to caring for her family. The idea for the business came about from the realization that there was no such shop in the neighborhood and so people had to travel to the center of the city even to purchase small items.

Sitel believes that she has taken advantage of her chance to participate in the program. This is above all because the initial financing allowed her to start the shop, which is still in business,

and secondly because through her participation in the program she has been able to save money and to manage her resources more efficiently. She says,

When I arrive from the Sudan I didn't know anything and living day by day I spent the money I had. I applied for a loan and I had to think carefully because I knew that I would have to repay the money. So I learned how to save and in this way especially the program helped me: I learned a different way to keep going.

The primary difficulties that she has had to deal with have to do with the lack of customers. She would like to supply her shop better, in the hope of attracting more customers, but doesn't know if she will ask for another loan.

***Berekti H.*, interviewed 21 August 2001 at Mekerka, a village in the Meakel Region. Client of the NUEW program.**

Berekti H. is 46 years old, a widow with six children. They are all more or less grown, ranging in age from 15 to 24. One daughter got married recently and the oldest son was recalled into military service. The other four children still live with her, all of them economically dependent on their mother. She also has living with her the wife of her son in the military, and their two children who are 3 and 5. She lives in Mekerka, a rural village situated about 40 kilometers from Asmara. Even when her husband was alive she was the one who provided for the family because he was always with the "patriots" at the front. Before getting a loan she worked as a day laborer in the fields. She obtained her first loan from the NUEW program in 1996: 2,000 Nkf. which she repaid in a year. She used that money to buy the first equipment for opening grocery store. She later asked for other two loans, the most recent of which was approved two months ago. She completed equipping the grocery, and has purchased a television. In the village where she lives there is no electricity, so the television works on a truck battery which she goes to Asmara to recharge

once a month. People come in the evening to watch television programs at her house for 50 cents a night. She is part of a group of four women. The group members chose each other through personal acquaintance prior to the program and have decided to each save two Nkf. a week. She decided on her own to start the business, which she chose because she prefers self-employment to working for others and because this type of business provides her with a stability that day labor does not.

Berekti says that between the two businesses (the grocery and the television) she is able to provide enough for her family. She can buy necessities and send her children to school without any worries. Even before, they had gone to school but often had their studies interrupted, and at times Berekti was unable to provide them with the clothes needed to attend or with a lunch to eat during class. The biggest problem she faces now is coming up with the money to get her children married. In January 2001 her daughter was married and another son will marry soon. When she finds extra time, in order to cover these expenses, Berekti makes clothing: two years ago she participated in a training course on sewing, organized by the Women's Association (NUEW) of which she is a member, and received a gift from the Red Cross of a sewing machine. Her house, thanks to the "TV room" has become a meeting place for the people of the village.

Sara W., interviewed 22 August 2001 in Asmara, Maekel Region. Client of the SCP/ECDF credit program.

Sara is 40 and lives in Asmara with her brother and 8 children, of which the oldest is 20 and the youngest 7 years old. Since her brother and oldest son went to the front she has been the only breadwinner for the family. She arrived in Asmara two years ago, coming from Addis Ababa (Ethiopia) where her husband provided for the family while she cared for the children and the housework. When her husband died, she returned to Asmara, her hometown, where she lived with her brother. He worked in a garage, where she also came to work occasionally. Together they

were able to provide for their family's needs. After her brother left for his military service, she found herself without any source of income. She decided to join the credit program. She now weaves cloth, sells it and with the revenue, after paying off the debt, takes care of her family's needs. Her customers come directly to her workshop and order cloth and she produces what they ask for.

She had not asked for a loan before this past May, when she obtained her current financing. She took a six-month weaving training course, organized by the Ministry of Industry and Commerce. At the end of the course she had the opportunity to access credit: 2,000 Nkf to buy a loom. The contract is for the loan to be paid back within a year, but she hopes to repay it within 10 months. She learned of these possibilities of training, directly from a representative of the local government. She manages credit operations with the Village Bank of Medeber (Asmara). She formed a group with four other women. She is the group treasurer: she collects the money from all four and when a payment is due she hands it over to the program's directors. The other women comprising the group are her friends and there is an affectionate bond between them, not just a business one.

She made all of her decisions concerning participation in the program alone, and does the same for her personal life and for the management of the family. All of her children that remain at home are still in school. She does not want her children to have the same life she has had, she wants them to go to school so as to be able to have a better future and so she does not ask for them to help her at home or at work. She doesn't want them to lose study time. Her more adult daughters, at 19 and 18 years respectively, have however taken care of the housework since she has started working and alternate turns at school (divided between morning and afternoon), so that they can take care of the smaller children.

Sara spends most of her day at the loom, from eight in the morning until six in the evening. The job she is currently doing is difficult, it will take 15 days to complete it and then sell it

to make 300 Nkf. Such an income is not adequate to meet her family's needs, but she can't do anymore. Simply put, if there is no money she can't buy anything. If today she buys clothes for a daughter, another must wait a year to get the same thing. With what she earns, she must also pay the rent, which comes to 300 Nkf. a month. The oldest daughters are very happy that she started this business, they encourage her and they help her a lot around the house, cook meals, do the washing, etc. so that their mother can rest when she returns home from work. She rarely sees other people besides her children because she doesn't have the time. If there is work to do she even goes to work on Sunday. She has not encountered any particular difficulties until now and has only positive things to say about her new work.

As far as her future plans are concerned, her main goal is to repay the debt, then see. Currently she is working in a locale made available to her for one free year by the Municipality in the framework of SCP/ECDF program organized with the Ministry of Industry. Sara hopes that they will decide to prolong this availability, otherwise she will have to look for another place to carry out her work and to sell her cloth.

***Ghirmawit B.*, interviewed 22 August 2001 at Shemanegus, Mackel Region. Client of the NUEW credit program.**

Ghirmawit B. is 30 years old and has 6 children, ranging in age from a year and a half to 13 years old. Her husband has been at the front for three years and their respective families come from different villages. She provides for her family by managing a general store.

Her husband was a farmer, but since he left for the front, other people have been employed to work the land he cultivated. The agricultural produce of this land however is slight: it satisfies the subsistence needs of the family, but Ghirmawit is able to sell only a very small amount of remaining crops. She asked for her first loan in 1997, and, thanks to this opportunity, got her store started, reserving a space in her house for this. She obtained a

loan of 2,000 Nkf. with which she bought a scale, shelves and some materials. She repaid the debt within one year. Then she obtained a loan, about two months ago, for 3,000 Nkf, which she has a year to repay. With this money she bought some products to resell resale and paid for the license, which cost 600 Nkf. She bought the products at Asmara and transported them to the village in part by bus and in part by donkey-drawn cart. She is part of a group of four women, which, having been organized only two months ago, is, according to Ghirmawit, in the process of defining itself. For the moment she is unable to save any money.

She first learned of the credit program listening to the radio and it was her idea to join and to contact the Women's Association. Now she is alone, and so by definition she is the one making all the decisions. When her husband was around they decided things together, though in general it was she who made decisions about the store, he about the fields. Since she opened the store, nothing has changed regarding housework responsibilities: she is still the one who manages family needs. She works more, she is a bit tired, but it is necessary to work in order to eat and she is satisfied with the good results she has had for her efforts.

She makes about 200-250 Nkf a week, which is not enough for the family's needs, but she rounds it out by raising some chickens that give her eggs and through agricultural produce. She says that her situation has improved since she opened the store. Now she is less worried about not having any money. She is able to feed and clothes her children better and they don't lack for anything. Before, things were different. Two of her children are attending school, but this is not a problem for her because the school is in the village.

When Ghirmawit spoke with her husband about her idea of asking for a loan to start a store, he agreed: "If you are able to make money, why not?", he said, "we will all be better off." She did not mention any problem with the program, and has never thought she'd be unable to repay. She had some difficulty in the begin-

ning, in starting the business, because she had begun by selling kerosene, but another shopkeeper who also sold it complained because he feared the competition. This was resolved ultimately and Ghirmawit was able to continue to sell kerosene.

The business is going fairly well, there are many families that come to buy her products. She has already repaid, before the deadline, 1,600 Nkf. She was able to do this because she has been able to avail herself of a group of students who came to work her land as part of a government program of student summer employment. Ghirmawit benefited from this: she made more than expected selling crops and took advantage of this to repay part of the loan ahead of time. In the future, if she finds that she is unable to continue to make progress on her own resources, she will ask for further loans. She would like to have a bigger store and to diversify the products that she carries.

Lektega H., Interviewed 22 August 2001 in Debarwa, Regione Debub. Client of the SZSCS program.

Lektega is 55, a widow who lives with her 5 children. The oldest, 18, works as a day laborer in the fields, while the younger children are dependent on her. Her business consists of selling *sciro'* (a flour made of chickpeas used to make a traditional dish), barley flour, *tekni* (a mix of barley and other cereals used to make baby food and soups), and other flours and mixes which she makes herself. She obtained her first loan three years ago for 2,000 Nkf and she repaid it in 18 months. She was satisfied with the profits she made and about a year ago decided to ask for another loan for 3,000 Nkf, which she must repay within two years. She has been able so far to regularly repay the first year's installment. She used both the loans to buy the cereals and spices and make the products she sells. Because of the loans she has been able to increase the amount of her production and sales. Even before the loans she managed the business, but lacked the capital to be able to be stable financially and to buy larger quantities of the ingredients she uses. Her clients regularly asked for *sciro'* and *tekni* and sometimes she

had been unable to satisfy the demand. When she learned that it was possible to obtain a loan, through attending a meeting of the local government, she thought of enlarging her business, something she had been unable to do previously. Currently she is able to meet all of the demand of her customers. She is not able to state how much she makes, nor the average amount of flour that she sells daily: she pays the monthly quota and uses whatever is left over for her family's needs. She runs the business from home: both the place and the expenses of her business are mixed in with those of her family. The greatest advantage she claims to have gained from increasing her business is that she can now buy the notebooks and other necessary materials for school for her children, whereas in the past she did not have enough to do so.

She says that the maximum amount of credit should be higher: the amounts available are too small compared with the needs. She thinks that if she could borrow a larger sum she could change the type of business she runs and have a much higher income, even though she is not sure just what type of business that would be. The insufficiency of the amount of credit is her only problem regarding participating in the program, and she considers it to still be a problem today.

Aragash T., interviewed 22 August 2001 in Debarwa, Debub Region. Client of the SZSCS program.

Aragash T. is 40 and has three children, ages 23, 21 and 19. Her eldest daughter is married and lives with her husband, while the second lives and works with her. The third, a son, was called up for military service. Her husband migrated some time ago to a foreign country and she has only sporadic contact with him. Aragash makes a living managing a clothing shop with her daughter. In the past, she would never have asked for a loan from anyone, but when, during a meeting, organized by the local government, she heard of the credit program, she thought that it could be a good opportunity for her. She talked about it with a friend and together they decided to try. She used the financing

obtained to acquire some chickens with the goal of selling eggs. It was a positive experience because with the money made from selling eggs she bought a large variety of clothing to resell and so has increased the profits of the shop.

Aragash is in charge of the group, composed of three women, including the friend with which she first chose to join. They don't hold regular meetings because they see each other often informally and discuss how their businesses are going, sharing advice. One woman in the group, like Aragash, has a clothing shop, while the third produces and sells local beer. One year ago, each of them obtained loans for 2,500 Nkf. Aragash and another woman repaid the entire amount and were able to access a second cycle of credit, obtaining 4,500 Nkf. in loans, while the third had to stop because she was unable to repay the first amount.

The main advantage that Aragash has gained due to the credit was to improve her living condition by herself and not to have to depend on the irregular remittances sent by her husband from abroad. It is this desire for independence, on relying on herself, that has led her to stay with the program. As for the future, she hopes with additional cycles of credit to maintain her shop and chicken coop. Over time she would like to obtain a piece of land currently provided citizens for use by the local government, and to build herself a better house than where she currently lives and works.

***Akberet G.*, interviewed 22 August, in Debarwa, Dehub Region, Client of the SZSCS program.**

Akberet G., is 28, lives with her mother and her two children (one is 4, the other 9 months old) and lives in the village Gasalama, on the outskirts of Debarwa. The father of her children does not live with them. Akberet maintains herself and her family selling household products along the street leading to the village. Before getting credit she sold only a few types of food products, and made little money. She learned of the program when the organization's agents came to her village to inform people that the program had started. She joined in 1993 as part of a group of three women. She

first obtained a loan for 2,000 Nkf, then for 3,500, then for 5,000. The fourth cycle saw her obtain a loan for 7,000 Nkf, and then again for 8,000, which she is currently repaying. With the loans she enlarged her business considerably, acquiring various household products and reselling them. She further acquired a bench to display her wares, whereas previously she spread the products and sat herself on a straw mat on the ground.

The group of which she is a member consists of three women and has remained stable over years; they are friends, they started out together and have shared this experience up today. The other two women are engaged in the same activity, selling household products on the street. Even though they each work independently, Akberet says that they are not in competition because they agree among themselves to coordinate prices. They further decided among themselves, from the beginning, to save a minimum of 20 Nkf a month. In this way, she says with pride, she has been able to save 2,000 Nkf. for herself which is gathering interest. She decided on her own to start the business and ask for credit because her mother left it to her to decide on how to manage the family and the business. Her mother express appreciation for what she is doing. Akberet says she is happy with the results she gained because now, thanks to the loans, she does not depend on anyone for help: she can obtain money from the program and repay according to a regular schedule. She believes that this opportunity has changed her life. Bit by bit she has improved the house they live in, and recently she asked the government to assign her a piece of land on which to build for herself a more comfortable house than the mother's.

She and her two friends in the group are the only people in the village to have joined the credit program: the others said they weren't interested. They have not encountered any difficulties in the community however. Akberet says that she has not had any particular problems within the program either: "I am satisfied because I live independently; I know that I must repay the loans

and so I organize myself to be able to do it". Akberet and her friends asked for 10,000 Nkf each in the most recent loan cycle. They only obtained 8,000 because this is the maximum established. They proposed increasing the limit to the program operators: the request will be discussed in the planning offices of the program because such a change would be valid for all future clients.

In the future she would like to finish setting up her house and include in it a space for a shop, instead of selling on her bench in the market. Soon she will have a modern house with three rooms, whereas her mother's house was a traditional type dwelling. Such a commitment, however, requires a lot of money and for this she will have to be able to access larger loan amounts and she hopes they will be available at a lower rate of interest.

***Ghidey D.*, interviewed 23 August 2001 in Debarwa, Dehub Region. Client of the SZSCS program.**

Ghidey D. is 54. She lives in Debarwa with her husband and 7 children: the oldest is 15 and the youngest 6. A grandson, son of a son killed in the war, also lives with them. Ghidey has three other adult children who are in the military and two married daughters that live with their husband. She manages a general store and her husband owns a truck that he uses to transport goods.

In the past, she had never borrowed money despite having managed the store for many years. She was one of the first clients of the program, in 1993, and started with a loan of 2,000 Nkf. that she used to acquire products wholesale in Asmara, then sold them retail in Debarwa. She repaid the first loan in one year paying 250 Nkf. a month. She then took out another loan for 3,000 Nkf., then one for 5,000 and yet another for 4,000 right up to her current loan for 7,000, taken out a year ago. The repayment time is fixed at two years, with a payment of 333 Nkf a month. She is currently three months behind in payments because her husband had an accident, the truck was damaged and the family has had to suffer serious difficulties as a result. Around the same time a daughter married, which also cost a lot of money.

Ghidey is part of a group of three women. They started out as five and now only three are left, as the other two dropped out. She records in a personal notebook the loans and payment schedules and the same data are recorded in a group notebook. At first, the group leader collected all the payments and brought them all together to the program, but since then the payment schedules have come to differ for each member so they make payments independently now. Savings policies have also changed within the group: at first they saved 5 Nkf a month each, then 10 which were collected by the head of the group for deposit. But for six months before the interview Ghidey has been unable to make payments because of the truck accident and the others have also stopped saving from fear that in case she becomes insolvent their savings as well may end up being taken for repayment. Ghidey is not the group leader because she is illiterate. The leader is another woman who knows how to read and write, but who is also a mother of three children; for this reason the others help her because they know that she has limited free time to devote to the group.

In Ghidey's view, the group meetings serve to help each individual discuss problems and to collect money for repayment. She says that there have been no problems with the group, the only problem she has faced has been making payments. The group is involved inasmuch as the members have agreed to be responsible for each member's loans. Ghidey has not asked her co-members to pay in her place, but she has explained to them why she is in this situation and assures them that she will pay it off, sooner or later, and that is only a matter of time. This is the first time that she has had any difficulty making payments, since she joined in 1993. In her view, the interest rate applied to the program is too high and this exacerbates her difficulties.

In the family, she is the one who makes the daily decisions since her husband is usually away in the truck. She decided on taking out the loan, though she always kept her husband informed,

and he agreed with the decision from the start. Her day begins at 5 in the morning making breakfast for everyone, at 6 she opens the store, which remains open all day until 7 in the evening. The whole family eats lunch at the store and the youngest children stay with her at the store all day. She makes between 500 and 1,000 Nkf a month. She believes that because of the loans her living conditions have improved. This is especially true of their diet, which is now more varied: they can now obtain products not sold at her store, such as tomatoes, though other foods, such as meat, remain unobtainable. They are also able to wear better clothes and to buy the necessary materials for school for the children. They have also over the years been able to improve the house such as by purchasing a sofa and a stand-up closet. Ghidey, notwithstanding the difficulties of the moment, has a positive view of her experience with credit. She attributes the troubles she currently faces to her husband's accident and to the expense of her daughter's wedding: "If one works regularly and nothing extraordinary happens, things definitely improve with credit".

***Wainy G.*, interviewed 22 August, 2001 in Debarwa, Debub Region. Client of the SZSCS program.**

Wainy G. is 55 and lives in Debarwa with her husband and their four children, the oldest of which is 18. Their 7 year-old nephew also lives with them. Before joining the program the family lived by cultivating a small piece of land assigned them by the village. At that time, they lived in a village on the outskirts of Debarwa. In 1993 Wainy applied for a loan of 1,000 Nkf. which she used to buy 8 sheep. She repaid the loan on time in a year and a half. She later obtained a second loan for 2,000 Nkf., which she completely paid back, and she is currently repaying her third loan, for 2,500 Nkf. She has always used her loans for sheep-breeding. She used this most recent loan to buy three more sheep and some feed. She has also paid 7 Nkf. per sheep as insurance.

Three years ago the family moved to the city, and so had to return to the village the land it has assigned them, since they no

longer cultivated it. Her husband had found work in the city, as a bricklayer, but currently because of the country's economic situation, work is scarce and he has been unemployed for some months. One of Wainy's daughters, who used to live in Assab had returned to live with the family because of an illness, but died a month ago. Beyond the pain of her loss, the family has had to deal with the very high expenses for her funeral.

Within a month Wainy must repay half of the most recent loan. The rules of the program specify that in the case of purchase of sheep half of the loan must be repaid within 9 months (a period corresponding to the first cycle of reproduction of the animals), after which she must make monthly payments. Wainy says that it will be difficult to make such a payment because of her husband's unemployment and the death of her daughter. She is considering discussing it with her group, and, if there is no other solution, they will rent out part of their house to make the payment. In earlier cycles of credit, due to difficulties making payments, she had to sell a sheep, but this time she doesn't want to do so, because the sheep have not yet had lambs and the price for sheep has dropped since she purchased hers. Further, she currently has only three sheep, since she was unable to maintain the initial number. She had to sell more than she had thought at first and their fertility has been less than she had hoped for. Wainy hopes the group will help her now, and that the repayment schedules will be revised. She does not want to leave the program and thinks she will be able to resolve her difficulties if granted a bit more time to do so.

Dahab S., interviewed 23 August 2001 at Dekishihai, Gash Barka Region. Client of the SCP/ECDF.

Dahab is 40 and lives with her husband and their seven children at Dekishihai, a rural village roughly equidistant from Asmara and Agordat (a city in the Gash Barka region). Her oldest son is 17, her youngest 4. The elder son is paralyzed in the legs, lives with his parents but cannot work, nor can he attend school, though all the others, except the youngest do attend. She is the main breadwinner for the family, since her husband does not work and has no income. Dahab provides for the family managing a small grocery store, which she opened seven years ago. She acquires goods at the entrance to Asmara and resells them in her store to the people in her village. She had never asked for a loan in the past. She asked for one last May, obtaining 1,000 Nkf that she utilized to buy goods to resell. The loan must be repaid in three months' time. At the time of the interview she was at the Village Bank to make a payment with the agreed upon interest. She belongs to a group of five people, of whom she is the lone woman. She has not encountered any particular difficulties in the group. The leader was chosen based upon his ability to read and write. They have not met in formal meetings as a group because they all know each other and see each other often. They often share needed information with each other. Dahab does not know how to read or write, but nevertheless, thanks to her oldest children's help, she keeps a written account of her business, recording what she buys and how much she has paid for it and making note of what she needs to remember to buy.

It was entirely her decision to open the store, which she thought of when she realized that the little piece of land previously cultivated by her husband, and the revenues from raising a few goats were insufficient for the family's needs. She thought that the easiest business for a woman would be to run a store. She was the one who, independently, decided to obtain a loan, to increase the volume of the products she carried. She spoke about

it with her eldest children, who agreed with her, but she was aware that it was she alone who had to decide, as for everything else regarding the family.

She is unable to say how much she makes a month. For now she can only say that she is able to provide for what her family needs to eat and that she is repaying the loan. But she has not yet experienced an improvement in her life compared with before the loan. In the future she would like to continue to obtain credit, but, at the moment, she is waiting until she sees how much she is able to sell, since she has a large inventory. She says that she is happy with the program and that she has never been worried about repaying since, "Like an ant, I put away as much as you need to not end up in debt".

***Adhanet E. S.*, interviewed 23 August at Dekiscihai, Gash Barka Region. Client of the SCP/ECDF program.**

Adhanet E.S. is 29, divorced and the mother of three children. The oldest is 8 years old, the littlest 2 and a half. Her ex-husband is currently in military service. For about seven years, she ran, on her own, a general store. She had never asked for a loan until last May, when the program came to her village. She obtained a 2,000 Nkf loan that she will repay in 5 months, in one payment. She is using the money to buy goods in Asmara to then resell to the village residents. Adhanet is the leader of her three-person group. The other two are a neighbor and a person Adhanet describes as "like a father to me". Her group is practically "family," and so does not need to hold formal meetings. She decided to ask for a loan because, having loaned money to others, she then found herself in trouble. It would help her out if the people she loaned money to would pay her back what they owe her, but at the moment they are not able to do so. She therefore thought of asking the program for a loan. So it was a decision based on the needs of the moment, but later she realized that it could be useful to continue to participate in the program. Even if she is not able to explain

what advantage she obtains from it, she claims that the experience has been positive and therefore intends to continue.

Her day revolves around the store and her house, which in fact occupy the same place. She starts at 6 in the morning by preparing breakfast for her children and then sends them off to school, then takes care of the littlest baby, the store and the house without interruption until dinner time and then until she goes to bed. She has not encountered any problems in the program. She does not agree, however, with all of the program's approach to things; she asks, "Why can't a person obtain a loan on their own, why does she have to be responsible for others?"

***Elsa F.*, interviewed 23 August 2001 at Dekiscihai, Gash Barka Region. Client of the SCP/ECDF program.**

Elsa F. is 29 and lives with her husband and five children, who range from two months to eight years old. She manages, together with her husband, a general store, a business that they have had for five years. They sell sugar, coffee, detergents, and soap. They also sell some crops from their fields, which they grow themselves, taking turns at the work.

In 1999 she asked for a loan from the National Union of Eritrean Women's credit program. She obtained a 2,000 Nkf loan that she repaid after a year, paying 80 Nkf interest. She used that loan to acquire goods wholesale for her store; she was satisfied with the experience and with the gain she made, and she would have continued. But the NUEW program was suspended. When the village heard that another credit program was being started she thought it would be a good idea to join. She joined a group of four people, two women and two men, who all knew each other already. The group leader, a man, was chosen because he "is not ignorant." Elsa also knows how to read and write and she keeps her accounts of revenues and expenses for the store. Last May she obtained a 1,000 Nkf loan that she repaid in three months with 13.33 Nkf a month interest, using the money to acquire wholesale goods. Elsa often provides food on credit to her customers

and so she often finds herself without a large inventory and in need of money to acquire more: this led her to request credit. She discussed it with her husband, as she usually does any decision to do with the store. It is usually her husband who decides how to make expenditures for the family's needs.

Elsa isn't sure whether her income from the store has increased after borrowing money, and says it has been too short a time to expect to see any change. The main improvement that she has seen in this time is in her children's diet. She had always been able to provide for them before, but now she can give them a wider variety of foods. Lately, Elsa has not been selling a lot and she attributes this to the rainy season: people are working in the fields and don't have much time to purchase things. Because of this, although she has repaid her loan, she is unlikely to ask for another anytime soon. She would rather wait and see whether she can earn enough by selling the goods she already has in the store. Her dream is to have a bigger store, a small supermarket, that would attract a larger number of customers thanks to the variety of products, she thinks that this is possible because her store is situated in an ideal place, next to the church.

***Gual T.*, interviewed on 24 August, 2001 at Adi Nefas, Mael Region. Client of the Mitias' Credit Scheme/ERREC program.**

Gual T. is 45 and lives with her elderly parents in Adi Nefas village, about an hour by car from Asmara. Currently the family does not have any income except for what Gual can make working occasionally for other people. They live in extreme poverty. In 1977 Gual left for the front along with her four sisters, her one brother and his wife. Two sisters died in combat. The other three sisters became famous among the soldiers because of their courage and initiative. One of the three sisters, who is deaf, learned to use her disadvantage to cross the Ethiopian lines more easily and carry supplies from Asmara to the frontlines.

The war ended in 1991 and gradually the army was demobilized. The three sisters returned home to find that they had

no way to live. The credit program started by ERREC in 1996 allowed ex-combatants to take out loans provided by the Commercial Bank of Eritrea without collateral, without high interest rates, with ERREC as guarantor. Gual and her sisters, encouraged by the program operators and in agreement with them, decided to open a bread oven in their village. The idea came from realizing that no one baked bread in the village and that people instead quite willingly bought bread baked outside. Indeed, this is because the cost of *teff* (the flour used to make *injera*, the traditional bread) is high, as are the costs of the fuels used to cook (wood or kerosene). Because of such costs, it is no longer as economical to produce bread for individual families, even without considering the amount of work involved.

The three sisters asked for and obtained a loan from the Bank in 1996, a loan for 250,000 Nkf and later another loan for an additional 75,000 Nkf because the original loan turned out to be insufficient. They then added the cash amounts received for their military service, which came to 10,000 Nkf each, and borrowed additional monies from relatives and friends, achieving a total capital of 400,000 Nkf. They bought a bread oven and a dough-making machine to make bread with, importing both from Italy. According to their calculations they would be able to repay the loan by paying 5,000 Nkf a month to the bank, leaving them a monthly income of 1,000 Nkf. In 1997 the oven was finally ready to work. Production went well, the resulting bread was very good. Beyond themselves, their brother, mother and father who all worked at the oven, they needed to also hire three workers. Borrowing a car for transport they were able to expand their sales market to some of the periphery neighborhoods of Asmara.

Although they were unable to achieve the individual incomes they expected, they were from the first able to cover their expenses, to pay the salaries of their three workers and to begin repaying the debt, by paying 3.500 Nkf as part of their first monthly installment. The day after making this payment, the owner of the

automobile they had borrowed unexpectedly took back the car leaving the Asmara markets unreachable. The sisters talked about this and about the difficulties they found themselves in with the Bank, which advised them to buy their own transport. Doing so would be a surer means, given the experience they had just had. It could also become another source of income, providing a transport service for various goods to and from Asmara. So they bought a horse and carriage for about 1,500 Nkf, but after about a month the horse died. They went back to the Bank and after receiving more advice they bought a delivery van and started the business back up. In the meantime however, their bread sales in Asmara had fallen substantially, inasmuch as the inelastic demand basic to a foodstuff like bread means that customers will, as did theirs, find other sources around the city.

The sisters were just starting to get back on their feet when they had a terrible accident with the delivery van, in which a woman was killed. The van was confiscated by the police and they were charged a fine of 60,000 Nkf, which after an out of court settlement was lowered to 30,000 which they had to pay. Much time had passed and the sisters had continued to work without any earnings. They had however always paid their workers' salaries. Then when war broke out again with Ethiopia, it was difficult to find flour. They were finally forced to stop work for six months, despite continuing to pay their employees in the hope that from one moment to the next flour would become available again and they would be able to start things right up. As a result of all these tribulations, after two and a half years of activity, they had spent the loan without either repaying it or achieving an income for themselves.

So a year ago, they decided to close down the business, letting the workers go, and they announced to the bank their inability to repay their debt. The oven, the machinery and the van will be sold to partially cover the losses. Some of the wealthier people in the village could have purchased the machinery. Had they

done so it would have been a help to the sisters, who would have been able to continue making bread, even as employees for a third party. But the culture of the village would not allow this, because it is believed that someone who purchases the property of another who has gone bankrupt might do so only to profit off their neighbor's loss, and it is considered a disgraceful way to treat others.

So today Gual lives in poverty with her parents. One sister had some time ago opened a small general store bringing goods from Asmara. Currently, however, she has given that up to go live in Keren, where she found work as a bricklayer. The third sister is deaf and this has greatly limited her opportunities: she does occasional day labor for others. Gual is unable to keep her sister's store going because she is ill and so is not up to going back and forth to Asmara. They have a piece of land but it remains uncultivated because no one is in a condition to work it. The place where the bakery stood remains their property, as does the house they live in. Gual hopes that this space can soon be freed up to rent out, as soon as the machinery is sold.

***Lemlem B.*, interviewed on 27 August 2001 at Hymberty, Mackel Region. Client of the SCP/ECDF program.**

Lemlem B., is 38 and lives with her husband and their four children whose ages range between 10 and 15. Lemlem runs a cereals shop and her husband a general store. For both businesses, they buy goods at Asmara and transport them to town using private transport that costs them 6 Nkf for every 100 kilos. They have had their shops for many years and had never sought to borrow money. They started to in 1997 when the program was presented at a local government meeting. They both became clients participating in different groups.

Lemlem obtained the first loan for 750 Nkf that she repaid in three months. She later took out a second loan for 1,500 Nkf, which she paid back after four months, two months earlier than required. Then came loans for 2,250, 3,000 and 4,000 respec-

tively, leading to the 7,000 Nkf loan she obtained a month ago. Each of these was to be repaid within 6 months. All of the loans were used to buy wholesale products to resell.

Lemlem belongs to a group of five people, four women and one man, that meets frequently and discusses how each of their businesses is going. The group leader was chosen because she is very patient, solicitous, and attentive. She took the place of her husband who was a client of the program, but had to leave for the front. The credit is available when the agent brings money from Asmara, while the repayments are made to the promoter in the village. Although payment is supposed to be made once a month, she and her husband have always preferred to repay the whole loan at the end of the required period, and have worked out such an agreement with the program. Before receiving a loan Lemlem had to explain to the program operators how she intended to use the money and similarly at the end of the payment period demonstrated how she used the loan she had obtained. She knows how to read and write but does not keep a regular accounting. She prefers to keep everything in her head and rely on her memory.

She decided to borrow money together with her husband. In general he is the one that makes decisions about anything outside the house, where she decides within the domestic sphere. She estimates that the family earnings, all told between the two stores, come to between 500 and 1,000 Nkf a month. She thinks that this has increased by a third as a result of the microcredit experience. This improvement has meant a more varied diet: for example they have begun to be able to purchase meat. It has also meant that they are better able to clothe themselves, and to use private transport. Such changes came about gradually. Lemlem has a grand project: she would like to expand her shop, which is now just one small room, and turn it into a large wholesale granary. With this in mind, as soon as she has some money left over she deposits it in the Village Bank to build up some capital.

She has been able to save 10,000 Nkf, but she was forced to use most of it and has to start over.

Adhanet S., interviewed 27 August 2001 at Himbrty, in the Maekel Region. Client of the SCP/ECDF program.

Adhanet S. is 47 and lives with her husband who is completely deaf. They have 9 children. The three oldest (23, 21 and 19 respectively) are in the military, the other 6, whose ages range from 2 to 17, live with the parents. All except the youngest attend school. Adhanet and her husband have a cloth and textiles shop in the center of Himbrty. She takes care of the family and also every aspect of managing the shop, while her husband, who is deaf, works at tailoring garments or linens for the house, using a sewing machine at the shop. It was Adhanet who decided to take out a loan and who is in charge of meeting their obligations. Her husband did not oppose this, in general he doesn't object to her decisions.

In the past she had never taken out a loan. She started in the program three years ago obtaining a 300 Nkf loan. She then continued to ask for loans seven more times, in ever increasing amounts: 1,500, 2,250, 3,000, 4,000, 5,000, 6,000, and 7,000 Nkf. The most recent is an active loan. She has used each loan to purchase new cloth and to resell it in her shop, either as cloth or as tailored clothing done by her husband. She is part of a group, which from the start has been composed of the same 4 women and one man. The latter is the head of the group and when asked about this choice of leaders Adhanet, smiling, said, "The man is the most powerful, the things we can't do, he can get done".

The group members have known each other from before the program: Adhanet has the cloth shop, another cultivates vegetables, and the others have general stores. Beyond the required savings demanded by the program, Adhanet deposits 100 Nkf every six months as a voluntary additional savings. She believes that she has benefited from the micro-credit although she can't quantify by how much, and does not keep written records of

her earnings and expenses. She does specify the improvements in living standards however, as being principally in diet, which has improved in both quantity and quality, and in having an adequate wardrobe. As for schooling for her children, she says that they all already had been enrolled in school, but that now she feels more secure about them all being able to go and about providing them with needed materials. The oldest children when not at school help out at home and take care of the littlest ones. Further, Adhanet says that the oldest ones, beyond helping her out, encourage her and are happy that she joined the credit program. Compared with before the credit program, her shop is better supplied, there is a greater variety of cloth, and this draws in more customers.

Zaudi I., interviewed 30 August 2001, at Mai-habar, in the Red Sea Region. Client of the Credit Program of the NUEW.

Zaudi, I. is 45 and lives with her husband, and their two sons and one daughter ranging from 19 to 27 years old, and two grandchildren, 7 and 10 respectively. Before obtaining credit she was a housewife. The family lived on the income provided by her husband who worked, as he continues to do to this day, in the fields, with the help of their three children and one hired worker. Before joining the program Zaudi I. had already applied for a loan through the Ministry of Agriculture. This was seven years ago when her husband was in the military. At that time there was a serious scarcity of water and she needed water to cultivate the fields. With the loan obtained from the Ministry she was able to dig a well and to buy a motor pump. The loan came to 13,000 Nkf, which she repaid at a rate of 1,000 to 2,000 a year. She currently still owes 3,000 on this original loan. For the past five years she has participated in the Women's Association program. She obtained a loan for 2,000 Nkf that she repaid over two years in six-monthly installments. She used this money to buy a cow.

She learned of the program while participating in a Women's Association meeting. She joined a group of four women of which

she is the leader, and organized biweekly meetings to discuss how everyone's business was coming along. The group has continued even after having paid back the loans, because the women would like to obtain further loans as soon as the program makes this possible. Before getting credit she completed a training course, organized by the Association, during which she received advice on how to manage money. She has not saved any money because the group has decided not to do so.

She made the decision, with her family, to ask for a loan. After informing herself at that initial Association meeting, it seemed logical to join, seeing as how she needed the money. Generally it is her husband who makes decisions about how to spend money, and this is still the case today, even after the loan program, but the decision to join was her own. She wanted to surprise her husband and told him what she had done, but she knew that he would want to add raising animals to the farming work. She chose to buy a cow because she always wanted to raise animals, but ruled out sheep because she didn't want to create problems for the children. Sheep need to be watched and brought to pasture and she did not want the children to work, she wanted them to go to school and not to have other commitments. She could take care of a cow herself.

Her day currently starts early in the morning, at 5 o'clock. After having fed everyone breakfast, she goes to work in the fields, cleaning the streets or other work, under the Village Administration. She does this work for the community half time, two months a year, during the rainy season and is paid 13 Nkf a day for it. In the afternoon she works with her husband in the family's fields all year round. After obtaining a loan, her workload increased. She must milk the cow, feed it, and bring it to pasture to graze. She can't precisely quantify how many additional hours she works, but says that the satisfaction she gets makes it worth it in any case. The cow has a calf, and so she was able to sell the milk. The cow is once again pregnant. In their fields, about two

hectares, they produce papaya, lemon, coffee, and oranges. They used to grow tomatoes but had to give it up when they could no longer find anyone to help them. For the same reason they are unable to produce enough in their field to sell some. They produce only for their own consumption and to pay one worker in kind. Before the war they had other employees and produced in larger quantities, including tomatoes. Now, because of the war, the workers have left because they were Ethiopians. Further, all the young people are at the front, so there are no personnel to hire and so the earth yields fewer crops.

The main improvement encountered since Zaudi I. bought the cow is that now she and her family are able to drink milk. She is raising the calf and she will also raise the one soon to be born: she will eventually sell both of them as adult animals, and if the next one is female it can provide her with other calves. The main problem that Zaudi I. has faced has been that her workers have left. She was worried at first that she would be unable to repay the loan, but now she realizes that she will be able to and is no longer concerned. She would like to ask for other loans in the future, to buy more cows and so she is waiting for the program to start up again in her region to allow her further opportunities to take advantage of credit.

***Sellas T.*, interviewed 30 August 2001 in Asmara, Maekel Region. Client of the NUEW program.**

Sellas T. is 50 and has 9 children. Five of her nine children are in the army and two daughters are married. She currently lives with one daughter of 15, a 25-year old son who works as a truck driver, and a three-year old granddaughter. They all live in Cuscet, neighborhood on the outskirts of Asmara. Her husband died 8 years ago. The family lived in Addis Ababa, the Ethiopian capital. When Eritrean Independence was declared, she and her husband came to Asmara and began to build a house, intending to stay permanently in their country of birth. However, as soon as the house was completed, her husband died of a severe form

of diabetes. So Sellas returned to Addis Ababa, got her children who she had left in the care of friends, and returned to live with them in Asmara.

The family's lived off income from her son who drives a truck for a private company (he makes 400 Nkf a month) and the help brought by the two married daughters to help their mother. Sellas had always been a housewife. Neither she nor anyone else in the family had ever borrowed money. Four months ago, however, she began a new experience by participating in the credit program of the Women's Association, which she learned of during one of their meetings. She received a loan for 3,000 Nkf with which she bought 100 chickens. She will begin to repay the loan within six months of receiving the money, and finish within a year. She is part of a group of four women who trade advice and psychological support. "This is what the group is for," Sellas told us. The group members have different roles: one is the group-leader, one is the vice-leader, another keeps the records and the fourth member collects the money.

Although they have not yet begun to make payments on their loans, they have organized themselves so that as soon as one of them has some money available they give it to the treasurer, who puts it away against the payments. In four months they have in this way paid 780 Nkf. One of the members has already paid in 60 Nkf more than the others. When the total arrives at 1,000 Nkf they will deposit in the bank.

Sellas decided on her own to start on this new experience and decided to raise chickens because she had an ideal space for it in her yard. She also wanted a type of business activity that she could take care by herself directly: if she had chosen to raise sheep she would have needed someone to bring them to pasture, for instance, as she did not want to do so. She also wanted to avoid involving her daughter or her grandchild. With chickens, she can handle the work herself. She has not yet seen any increased earnings: she thinks it is too early to expect any just yet. She does

expect greater gains later on, even though she is new at this type of work. This is true despite the fact that she is too inexperienced as yet to state precise goals she hopes to meet and in her words is "waiting to see." She has not as yet encountered any real difficulties in this new activity, despite having had eight chickens die out of a total of one hundred.

***Birikiti T.*, interviewed on 6 September, 2001 in Agordat, in the Gash Barka Region. Client of the SCP/ECDF program.**

Birikiti T. is 45 and lives with her husband and one 26-year old son in Agordat. Her son works for the army aviation corps. Her husband grows vegetables. She asked for a loan to set up a business selling butter, spices and flour. Before obtaining credit she already sold these items, and with the loan was able to develop this into a real business venture.

When she obtained the first loan, the market was not yet favorable, but today it has improved. She started nine months ago with 750 Nkf, which she paid back within three months. Then she asked for and received a six-month loan for 1,500 and then 3,000 to be repaid within a year. She hopes to expand her business by buying and selling more butter, which is in great demand. The first loan did not lead to better earnings because the war was still going on and people were not buying much. With the second loan things did improve, and with the third her income has substantially increased. She buys butter in the countryside and brings it to the city where she sells it. She had never asked for a loan before participating in the credit program, and had it not been for the program she would never have done so, because she does not like being in debt. Her friends convinced her to try it and she accepted as a kind of "experiment."

The group formed spontaneously through personal acquaintances. They have all lived in the same city for 40 years and so they knew just whom to include. They have agreed that if one of them becomes ill the other group members must help her and this has led to some concern. Nevertheless, this is a rule of the

program: if one member is in difficulty, the other group participants must help out, and if they do not they may not continue further with subsequent loan cycles. Once in fact a member was ill, but she left the group and was replaced by another. The program operators, upon providing the first loan, also provided advice on how to manage money and those clients who have followed this advice report that they are doing well. If the women are late in paying back the loans, no one tries to hurry them, it is they themselves who want to "sleep soundly" and so they make their monthly payments punctually. The fifth person is new and so has obtained only the first 1,000 Nkf loan, while the others have already reentered the cycle and have by now each received loans for 3,000 Nkf.

Birikiti does not keep written records, she keeps everything in her head, and has faith in her memory. She saves money, but keeps it at home, because she prefers not to carry it to the bank, aside from the obligatory savings required by the program. Her son and her husband were opposed to her asking for a loan, but she decided to do so anyway. They were against because the culture sees debt as harmful, as setting one back, getting one in trouble, but she wanted to try anyway. She takes care of her own business, and it is she who makes every decision regarding it. For household expenditures her husband gives her 300 Nkf a month. She adds whatever is needed from her business revenues to this amount to cover all of the family's needs. With this income she also takes care of her elderly mother and father who depend on her for their living.

Since she joined the program she has been much less worried. She feels much more relaxed and secure now. The fact that she is part of a group, in a program, makes her feel much more able to deal with the unexpected, since she knows that there is someone out there who can help her in case of need. When we asked her how her day is organized she laughed, asked why we would want to know all these things and said, smiling the whole time, that

her people don't like to answer too many questions. She therefore did not answer when we asked how much her income was. She only said that she is able to repay the loan and save something. When she has repaid everything then she can think about buying herself something, such as a couch for the house, or something else, but for now she prefers to wait. Her son knows that she took out a loan and now is happy about it because he sees that it is working out.

Simidi I., interviewed 6 September, 2001 in Agordat, Gash Barka Region. Client of the SCP/ECDF program.

Simidi I. is 45 and has three children of 6, 10 and 18 years of age. Her husband died two years ago. Because he was unemployed, it was she who maintained the family, even before his death. The children are all in school, even the oldest. She produces and sells *injera* the local bread, she buys wood wholesale and resells it. This is the first time she has asked to borrow money, and she would not have done so unless she could count on the program's help, and if her friends were not also involved. She is in the third loan cycle of the program, her first was for 750 Nkf, her second for 1,500 and her current loan is for 3,000. She has purchased 100 Kilos for making *injera*.

She is part of the group that Birikiti T. is the leader of (see interview above). They are friends and she says that she has had no problems in the group. One cause of worry is that the 3,000 Nkf loan is a large amount to pay back. Simidi says that her income has increased, but she is not able to quantify by how much. She now sells more bread and wood than before, and so in this sense sees a difference. She says that she will be able to specify exactly how much things have improved only at the end, after having repaid the loan. In the meantime, however, she is able to cover her necessary daily expenses with greater confidence. The only problem comes when she can't find wood to buy. Her greatest concern is to repay her debt. She promised to her children that she will repair the house, which is now in very poor condition,

and so she will continue to ask for loans until the work on the house has been completed. She would like to ask the operators to extend the repayment time, perhaps from six months to a year, because it would ease her situation.

***Freweini T.B.*, interviewed September 8, 2001 in Asmara, Mackel Region. Client of the SCP/ECDF program, Tier 2.**

Freweini T.B. is 39, and lives with her husband and three children 2, 5 and 8 years old respectively. Her husband is a pharmacist and works at the Asmara hospital. She currently runs a dairy with 33 milk cows. She has two employees. Both she and her husband were soldiers, for many years during the war of national liberation. When the war was over, their respective families helped them. Thanks to this help eight years ago they were able to buy a cow and to rent a house with a little cowshed to keep it in. The original goal was to keep the cow in order to have milk for children. Later they purchased a second cow and began to sell some of the milk. Their relatives, some from abroad and others in Eritrea, continued to help them during the first postwar years, including helping them start to raise chickens. Both Freweini and her husband received 10,000 Nkf as payment for their years of military service and with this money they bought another 8 cows. In eight years this business has grown and Freweini came to own 28 cows. Her idea at first was to request some land from the government and then ask the Commercial Bank of Eritrea for a loan for about 500,000 Nkf to build another cowshed. Since the government has not yet finalized approval for the land grant, she has had to alter her plans for the near future. She therefore decided to join a microcredit program and for six months now she has been using a loan for 80,000 Nkf to purchase another 5 cows. It would have been very difficult to obtain credit from the Commercial Bank, involving long waits, whereas she was able to obtain a smaller loan from the credit program, but in a short time. On average she produces and sells 200 liters of milk a day;

after acquiring the additional 5 cows with the loan she increased production on average by 36 liters a day.

She has to repay the loan within two years, though she hopes to do so much sooner, and ever since she obtained the loan she can't wait to repay it. The main difficulty that she has had has been the lack of the land grant. It not only forces her to pay rent for the cowshed she currently uses, but also to purchase feed for the cows which could otherwise graze. The total revenue of the dairy farm comes to 16,000 Nkf a month, but after expenses, she makes about 3,000 Nkf a month net. Freweini thinks that if she had the land and could invest in a cowshed on her own property with a pasture for grazing, she would definitely improve her income. She also believes that selling milk itself to the central dairy is not well paid (4 Nkf a liter) and so in the future would like to obtain a license to produce her own cheese, which commands higher prices in the market.

***Salamawit H.*, interviewed 10 September, 2001 in Debarwa, Debub Region. Client of the SZSCS program.**

Salamawit H. is 23. She is a widow and mother with a 6 year-old daughter. She manages a bar in the center of Debarwa with two employees. When her husband was alive, she lived in Tamarahit, a village quite a few kilometers from Debarwa. When her husband died, about three years ago, she decided to come to the city and asked for a loan of 2,000 Nkf to start a general store. She repaid the loan within a year, as required, but the business did not go well. Salamawit was not satisfied with it, as there were too many similar stores in Debarwa and not enough customers to go around. After some time, therefore, she closed up shop. Six months ago she asked for another loan, for 4,500 Nkf with which she started the bar, using the money to buy the counter and some of the products. She began immediately to repay the loan at a monthly rate of 310 Nkf a month.

She learned of the program a short time after arriving in the city, by asking a man she knew for advice; he told her about the

program. Now this man is part of the same credit group that she is in, which has three members in all. She has encountered no difficulties in the group, and they all agreed to help each other mutually. She pays a small amount every day to the group leader so that she will not find herself having to pay 310 Nkf at the end of the months, risking the possibility of not having it.

She does not know how much she makes a month, but she says it is enough to pay the rent (900 Nkf), her loan payments, and her necessary living expenses. Over the past few months she depended on help from several uncles, but now she is able to handle things on her own and does not any longer need to ask them for help to cover the groceries or buy clothes. She says that she is satisfied with the income generated by the bar, but is not completely happy about the type of business she has because it requires her to be out of the house for too many hours each day. For the grocery she uses a room in her own house, whereas the bar is rented out and somewhat far from home. Now she has to leave her daughter alone or bring her with her to the bar and neither solution is a very good one. Her income has however improved. So Salamawit has decided to continue running the bar for a while, until she can put away enough to start a business that would enable her to live on it; one that would be completely her own, on her own property, instead of renting. She thinks about starting another grocery, but something bigger, more like a super-market, so that it would be different from the other many small groceries in the city.

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List of Interviewees

PROGRAM OPERATORS

Bokre Abraba, Regional Coordinator, SZSCS, interviewed 28 December 2000 in Mendefera, Debub Region, Eritrea

Rosa Kiflemariam, Director, Project Division, NUEW, interviewed 2 January 2001 and 5 September 2001 in Asmara, Eritrea

Tzegga Gaim, Director, Social Service and Rehabilitation Department, NUEW, interviewed 10 August 2001 in Asmara, Eritrea

Kidane Tzeggai, Director, Department for Regional Affairs, MoLG, interviewed 15 August 2001 in Asmara, Eritrea

Alganesh Adonai, Coordinator, Social Service and Rehabilitation Department, Maekel Region, interviewed 15 August 2001 in Asmara, Eritrea

Mengsteab Afeworki, Director, SCP/ECDF, interviewed 16 August 2001 in Asmara, Eritrea

Hasebenebi Kaffel, Coordinator of ACORD programs in Eritrea, interviewed 17 August 2001 in Asmara, Eritrea

Tzegge Zermariam, Regional Coordinator, Credit Program, NUEW, interviewed 20 August 2001 in Asmara, Eritrea

Tewelde Ghebre Kidane, Regional Coordinator, SCP/ECDF, interviewed August 2001 in Asmara, Eritrea

Jerusalem Efrem, Credit Agent, Team Leader Debarwa sub-Zoba, SZSCS, interviewed 22 August 2001 in Debub Region, Eritrea

Beraki Ghebreselassie, Member, Village Committee, Debarwa, SZSCS, interviewed 22 August 2001 in Debub Region, Eritrea

Amna Massan, Regional Coordinator, Credit Program, NUEW, interviewed 4 September 2001 in Afabet, Northern Red Sea Region, Eritrea

Michael Hagos, Director, Mitias' Credit Scheme, interviewed 5 September 2001 in Asmara, Eritrea

Sellas Jonas, Regional Coordinator, Credit Program, NUEW, interviewed 6 September 2001 in Agordat, Gash Barka Region, Eritrea

Getachew Jyob, Regional Coordinator, SCP/ECDF, interviewed 6 September 2001 in Agordat, Gash Barka Region, Eritrea

Negasi Beiene, Field Agent, SCP/ECDF, interviewed 7 September 2001 in Barentu, Gash Barka Region, Eritrea

THE CLIENTS

Sara W., client SCP/ECDF, interviewed 20 August 2001 in Asmara, Eritrea

Zaid T., client SCP/ECDF, interviewed 20 August 2001 in Asmara, Eritrea

Rezan A., client Credit Program, NUEW, interviewed 21 August 2001 in Sereggiaka, Maekel Region, Eritrea

Ghirmawit B., client, Credit Program, NUEW, interviewed 21 August 2001 in Shemanegus, Maekel Region, Eritrea

Berekti H., client, Credit Program, NUEW, interviewed 21 August 2001 in Mekerka, Maekel Region, Eritrea

Lektega H., client SZSCS, interviewed 22 August 2001 in Debarwa, Debub Region, Eritrea

Aragash T., client SZSCS, interviewed 22 August 2001 in Debarwa, Debub Region, Eritrea

List of Interviewees

- Irgalem B.*, client SZSCS, interviewed 22 August 2001 in Debarwa, Debub Region, Eritrea
- Akberet G.*, client SZSCS, interviewed 22 August 2001 in Debarwa, Debub Region, Eritrea
- Letab S.*, client SZSCS, interviewed 22 August 2001 in Debarwa, Debub Region, Eritrea
- Ghidey D.*, client SZSCS, interviewed 22 August 2001 in Debarwa, Debub Region, Eritrea
- Wainy G.*, client SZSCS, interviewed 22 August 2001 in Debarwa, Debub Region, Eritrea
- Asmeret G.*, client SZSCS, interviewed 22 August 2001 in Debarwa, Debub Region, Eritrea
- Dahab S.*, client SCP/ECDF, interviewed 23 August 2001 in Dekiscihai, Gash Barka Region, Eritrea
- Adhanet E. S.*, client SCP/ECDF, interviewed 23 August 2001 in Dekiscihai, Gash Barka Region, Eritrea
- Elsa F.*, client SCP/ECDF, interviewed 23 August 2001 in Dekiscihai, Gash Barka Region, Eritrea
- Meberet F.*, client SCP/ECDF, interviewed 23 August 2001, in Mekerka, Maekel Region, Eritrea
- Gual T.*, client Mitias' Credit Scheme, interviewed 24 August 2001 in Adi Nefas, Maekel Region, Eritrea
- Lemlem B.*, client SCP/ECDF, interviewed 27 August 2001 in Himbrty, Maekel Region, Eritrea
- Adhanet S.*, client SCP/ECDF interviewed 27 August 2001 in Himbrty, Maekel Region, Eritrea
- Zaudi I.*, client Credit Program, NUEW, interviewed 30 August 2001 in Maihabar, Northern Red Sea Region, Eritrea
- Sellas T.*, client Credit Program, NUEW, interviewed 30 August 2001 in Asmara, Eritrea

Abrehet S., client SZSCS, interviewed 31 August 2001, in Adi Gua'dad, Maekel Region, Eritrea

Sitel M.A.F., client Credit Program, NUEW, interviewed 4 September 2001, in Afabet, Northern Red Sea Region, Eritrea

Birikiti T., client SCP/ECDF, interviewed 6 September 2001 in Agordat, Gash Barka Region, Eritrea

Simidi I., client SCP/ECDF, interviewed 6 September 2001 in Agordat, Gash Barka Region, Eritrea

Freweini T.B., client SCP/ECDF, interviewed 8 September 2001 in Asmara, Eritrea

Salamawit H., client SZSCS, interviewed 10 September 2001, in Debarwa, Debub Region, Eritrea

OUTSIDE OBSERVERS

Bruna Sironi, Project Coordinator, Mani Tese NGO in Eritrea, interviewed 7 August 2001 in Asmara, Eritrea

Elisabeth Mengsteab, National Programme Officer, UNFPA, interviewed 15 August 2001 in Asmara, Eritrea

Firouz Sobhani, Program Director, UNDP in Eritrea, interviewed 28 August 2001 in Asmara, Eritrea

Anders Cajus Pedersen, Program Coordinator, UNIDO in Eritrea, interviewed 28 August 2001 in Asmara, Eritrea

Emmanuel Y. Ablo, Program Director, World Bank in Eritrea, interviewed 5 September 2001 in Asmara, Eritrea

Habtom Sium, Director, Disabled and Socially Disadvantaged Persons Department, Ministry of Labour and Human Welfare, interviewed 29 August 2001 in Asmara, Eritrea

Palladini Sergio, Director, Local Technical Unit, Italian Cooperation in Eritrea, interviewed 17 November 2001 by email

APPENDICES

APPENDIX 1: THE INTERVIEWS

Themes of interview no. 1 (For general coordinators of the microcredit programs)

1. Sponsoring Organization

- 1.1 Name and type of organization (governmental, private, etc.)
- 1.2 Human, Structural Resources, Organization Structure
- 1.3 Partnership
- 1.4 How the Microcredit Program fits into the organization's policies

2. The Program

- 2.1 General goals and guide lines for carrying it out
- 2.2 Prevalent problem for which the program seeks to provide a response (mission). For example: improve living conditions, the condition of women, guarantee access to credit to those who can't obtain loans from banks
- 2.3 Time schedules: Date the program started, general evolution, periods of expansion and standing pat
- 2.4 Organizational resources assigned to the program, program structure
- 2.5 Location: Region of activity and site of program

- 2.6 Size of community in question (population) for each program site and proximity/accessibility of clients
- 2.7 Are there other microcredit programs active in the same location? If so, coordination, contacts, and differences with the current program
- 2.8 Target Group initially identified, target group effectively reached: any difficulties in reaching them and strategies for doing so
- 2.9 Is the poverty level of clients evaluated?
- 2.10 Total number of clients from the beginning of the program, number currently active and percentage of women
- 2.11 Are there any examples of credit requests to which it is impossible to respond positively?
- 2.12 If so, how many?
- 2.13 Are there any potential clients that after having been contacted have decided not to join the program? If so, how many? What are the usual motives for such a decision?

3. The Social Context

- 3.1 How was faced the need for credit?
(Usury? Traditional Rotating Funds? Other?)
- 3.2 Type of financed activity by economic sector and scale
- 3.3 Production Aspects: type of products, time of production, markets
- 3.4 Relationship to the formal banking system
- 3.5 Finance law and government policies

4. Methodology

- 4.1 Type of loans: individual or group and type of group loan
- 4.2 Average loan amount
- 4.3 Interest rate
- 4.4 Who and how to approve or refuse a loan request?
- 4.5 Collateral

- 4.6 Is credit geared toward a specific use? Is there a monitoring system?
- 4.7 Taxes and access costs
- 4.8 Behavioral norms, written and unwritten duties of clients, meetings
- 4.9 Type of service offered
 - credit
 - savings (mandatory and/or voluntary)
 - training (in program management and/or business activity)
 - technical assistance in selecting a business activity
 - emergency aid
 - insurance

5. Financial sustainability

- 5.1 Financing of Program
 - by whom?
 - since what date?
 - type of financing: loans? grants?
- 5.2 Insolvency and Proceeds
 - repayment of loans
 - taxes
 - savings

6. Evaluation of results

- 6.1 Do you have systems for evaluating the impact of the program and what this may be?
- 6.2 Who evaluates the program?

7. Problems

- 7.1 General problems in the program and strategies for solving them
- 7.2 Wartime

- what happened to the program?
- how did it start back up?
- what had changed?

Themes of interview no. 2 (For field agents)

1. Location

- 1.1 Area of jurisdiction: location and population
- 1.2 Prevalent economic activity in the area (sector)

2. The Program

- 2.1 Number of clients since start of program and current number of active clients
 - in groups
 - individuals
- 2.2 Distribution by sector of economic activity financed
- 2.3 Relationship and cooperation with local, traditional and newly invested authorities

3. Methodology

- 3.1 Means of contacting clients, through whom
- 3.2 Is there any structure for helping to identify projects and for supporting them during their development?
- 3.3 Accountability methods and structure
- 3.4 Means of granting credit and repayment
- 3.5 Information system
 - 3.51. with the clients
 - what kinds of contact are there with clients and how frequently
 - individual contacts and/or meetings
 - difficulties encountered in passing on information
 - 3.52 with the central office
 - what kinds of information come from the central office and how often
 - Are communications written? Are there meetings?

Appendices

- What kinds of information get sent to the central office and how often
- Are communications written? Are there written reports? Are there meetings?
- difficulties encountered in passing on information

4. Results

- 4.1 Point of view of the field agent on the general impact of the program in the area in which s/he works: in your opinion what is the most important benefit of the program?
- 4.2 Rate of repayment
- 4.3 General information on how much success the business activities have had that have been financed and followed by the field agent
- 4.4 Is there any follow up information on clients that have concluded and left the program and on whether they have continued the activity since leaving (or changed businesses). If so, what period is considered: months, years?
- 4.5 number of clients that have left the program
 - reason for leaving
- 4.6 Are there any examples of credit requests to which it is impossible to respond positively?
 - If so, how many?
- 4.7 Are there any potential clients that after having been contacted have decided not to join the program? If so, how many? What are the usual motives for such a decision?

5. Problems

- 5.1 General problems encountered
- 5.2 Particular problems related to reaching clients
- 5.3 Strategies put into practice for overcoming these problems

Themes of interview no. 3 (For Clients)

1. Personal and family data

- 1.1 Gender
- 1.2 Age
- 1.3 Family composition and number of members
- 1.4 Home town or village
- 1.5 Ethnicity

2. Economic conditions

- 2.1 Sources of family income
- 2.2 Income-providing members of family
- 2.3 Economic activity engaged in by client
 - before microcredit
 - after microcredit

3. Access to credit and various phases

- 3.1 Before joining this program had you in the past ever borrowed money and if so from whom? Under what conditions?
- 3.2 When did you join this microcredit program?
- 3.3 How much was your first loan?
- 3.4 How many other loans have you received and how have you used the money?

4. Criteria, methods and conditions of the current program

- 4.1 Who were you contacted by and who did you contact at first?
- 4.2 What kind of loan do you currently have?
 - individual
 - group
- 4.3 Have you had any assistance from the program?

Appendices

- to determine the kind of business you would start
 - to manage the loan
 - to manage your business
- 4.4 How was the credit provided. What are the deadlines for repayment of the loans and how and where do repayments take place?
- 4.5 Type of bookkeeping and level of schooling/knowledge needed
- 4.6 Is any money saved?
- mandatory
 - voluntary
- 4.7 Group loans. Means of forming the group:
- Who suggested forming the group
 - From among whom and how were group members chosen
 - Any problems at the start of the group
 - Any problems in managing the group
 - Division of roles in the group

5. Decision-making in the microcredit program

- 5.1 Who suggested asking for a loan and how?
- 5.2 Who in the family decided to join the program?
- 5.3 How was the choice of business activity made?
- 5.4 Who makes the important decisions for the business?
- 5.5 Who decides how to spend money in the family?
- 5.6 Once a loan was obtained from the program, what changed in deciding how to spend money for the business and the family?
- 5.7 What expenditures have been made?

6. Changes in behavior and roles

- 6.1 Describe a typical day making clear any differences between now and before joining the microcredit program
- 6.2 How many hours do you work a day: have they increased or decreased after borrowing money?
- 6.3 Has the distribution of tasks in the family changed? How?
- 6.4 Has your role in the community changed?

7. Bureaucratic requirements and behavioral norms

- 7.1 Are there norms of behavior to be observed? Are they written into the loan contract? (examples: marriage, health, hygiene)
- 7.2 Participation in credit meetings: how many are there and where do they take place?
- 7.3 How many and what type of written registrations are required by the program
- 7.4 Other requirements of the credit program

8. Changes in economic conditions

- 8.1 Net income from business activity. Is it enough for the family's needs?
- 8.2 Has family income risen subsequent to the microcredit loan?
- 8.3 What type of improvement have you seen:
 - diet
 - access to potable water
 - hygiene
 - health
 - housing
 - school for the children
 - transportation
 - For each answer: how soon?

- 8.4 Has the number of people you employ increased since you took out your first loan? By how many? Are they family members or from outside the family?

9. Changing Relations

9.1 Relationship with husband:

- Is he happy that you joined the program?
- Has he changed his mind since?
- Does your husband work at the business? (specify)

9.2 Relationship with children:

- are they supportive or opposed?
- Do they work for the business?

9.3 Other relatives: (specify)

- are they supportive or opposed?
- Do they work for the business?

9.4 Have your relationships with other members of the village changed since you joined the program? Has any form of association of producers or others come about?

9.5 Have you advised others to join the program (friends, relatives, acquaintances)?

10. Problems

10.1 What are the main problems you have encountered from the time you applied for credit up to today?

10.2 How have you overcome these?

10.3 Have there ever been moments when you thought of leaving the program or that you would be unable to repay the loan?

11. Future Outlook

11.1 How is the business doing now?

11.2 Will you ask for more loans?

11.3 For what use?

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- 11.4 In your opinion what are the main obstacles to be overcome by a microcredit program like this one?
- 11.5 Are the directors of the program doing anything to resolve them?
- 11.6 If you could suggest anything to improve the program what would it be?

APPENDIX 2A: ACORD - SOUTHERN ZONE SAVING AND CREDIT SCHEME LOAN CONTRACT *

1. This contract is signed by the credit and savings agency for Debub and the client

2. Name of Client: _____

Identity Document number: _____ Sex _____

Village _____ Sub-Zoba _____

3. Loan Amount In numbers: _____

In words: _____

Interest rate: _____

4. Date of Loan: _____

Purpose of Loan: _____

Repayment Time: _____

Payment method: _____

5. Date of payment: _____

Monthly _____

Seasonal: 1 _____ 2 _____

3 _____ 4 _____

6. Payment amount in numbers _____

In words: _____

7. Group number _____

8. I, the undersigned _____ accept the method of payment cited in contract and based upon civil code (2471) for payment of the loan that I have received from the credit agency mentioned in the contract. If I do not pay regularly I will be penalized 36% (annually) for every late day.

In case of violation of the present contract I will answer before the law.

Date: _____

Date: _____

Signature of Agency

Signature of Client

* Original Text in Tigrinya language

**APPENDIX 2B: ACORD - SOUTHERN ZONE SAVING
AND CREDIT SCHEME INSURANCE CONTRACT ***

Department _____

Group number _____

Village _____ Sub-Zoba _____

We insure our group member Mr./Mrs. _____

who has taken out a loan of the amount Nakfa _____

(_____)

from the credit agency: _____

basing itself on the Civil Code (1933).

We commit ourselves to payment of the loan in the name of our member
Mr./Mrs. _____ in the case of missed or late pay-
ments, or in the case of absence.

We affirm this contract with our signatures.

Name

Signature

1. Mr./Mrs. _____

2. Mr./Mrs. _____

3. Mr./Mrs. _____

4. Mr./Mrs. _____

5. Mr./Mrs. _____

Date: _____

* Original text in Tigrinya language

APPENDIX 3: ECDF - SAVING AND CREDIT PROGRAM CREDIT APPLICATION FORM *

1. General Data on Client

Client Name: _____
Region (Zoba): _____ Sub-Zoba _____ Village _____
Group Number _____ Sex _____ Marital Status _____
School Degree _____ Number of Family Members _____
Profession _____ Loan Amount _____
Date of Group Membership _____
Savings Amount _____ Purpose of Loan _____

Annual Revenue _____ - Annual Expenditures _____

2. Credit Contract

The present contract was signed between the ECDF
and Mr./Mrs. _____ on the date: _____
The amount is for Nakfa _____ and the interest rate is for Nakfa _____.
Payment will be made every month on the _____ and will be
completed on _____.

I agree to repayment of the loan in the above stated fashion.

If I am unable to make regular payments I will be pay a penalty equal to _____
for every late day and a penalty equal to _____ after 15 days.

Client's Signature _____

3. Collateral Contract

Mr./Mrs. _____ is a member of our group; we guarantee that we are prepared to pay the loan in his/her name in case of missed payment, lateness or absence.

We agree to this contract with our signatures.

Name	Signature	Name	Signature
1. Mr./Mrs. _____		4. Mr./Mrs. _____	
2. Mr./Mrs. _____		5. Mr./Mrs. _____	
3. Mr./Mrs. _____		6. Mr./Mrs. _____	

Witnesses Name	Signature	Zone Referent	Signature
----------------	-----------	---------------	-----------

* Original text in Tigrinya language

**APPENDIX 4A: NUEW – CREDIT PROGRAM
CREDIT APPLICATION FORM ***

1. Name: _____
2. Date of Birth: _____
3. Marital Status: Married Divorced Widowed Single
4. State of Health: _____
5. Family members: number _____ children no. _____ adults no. _____
6. Reason for requesting loan _____
-

7. Attach project

8. Do have enough preparation and ability to carry out this activity?

YES

NO

9. Address:

zoba _____

sub-zoba _____

village/city _____

10. Number of group members _____

11. Date of business start-up _____

12. Amount of loan _____

13. Date repayment begins _____

14. Date repayment complete _____

15. I, the undersigned ask to have a loan in the amount of _____ Nakfa

16. Agreement of group members

Name of members

Signature

- | | |
|----------|-------|
| 1. _____ | _____ |
| 2. _____ | _____ |
| 3. _____ | _____ |
| 4. _____ | _____ |
| 5. _____ | _____ |
| 6. _____ | _____ |

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Opinion of field agent:

17. View of Evaluation Committee:

According to this committee the present contract is capable of improving the living conditions of the client and to contribute to improving the country's economy.

For these reasons we approve the request.

Names and Signatures of the Committee members

_____	_____
_____	_____
_____	_____

Opinion of the Committee President

The undersigned accepts the rules of the program and agrees to repay the loan of _____ Nakfa _____ by _____

Client's name

Signature

* Original text in Tigrinya Language

**APPENDIX 4B: NUEW – CREDIT PROGRAM
SOLIDARITY GROUP AGREEMENT FORM***

Date _____

Names Of Group Participants

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

We the above named, on the date _____ have held a meeting and have formed a savings and credit group.

We elected the following directors:

President _____

Secretary _____

Treasurer _____

Each group member agrees to save _____ Nakfa a week.

We also agree to meet once every week.

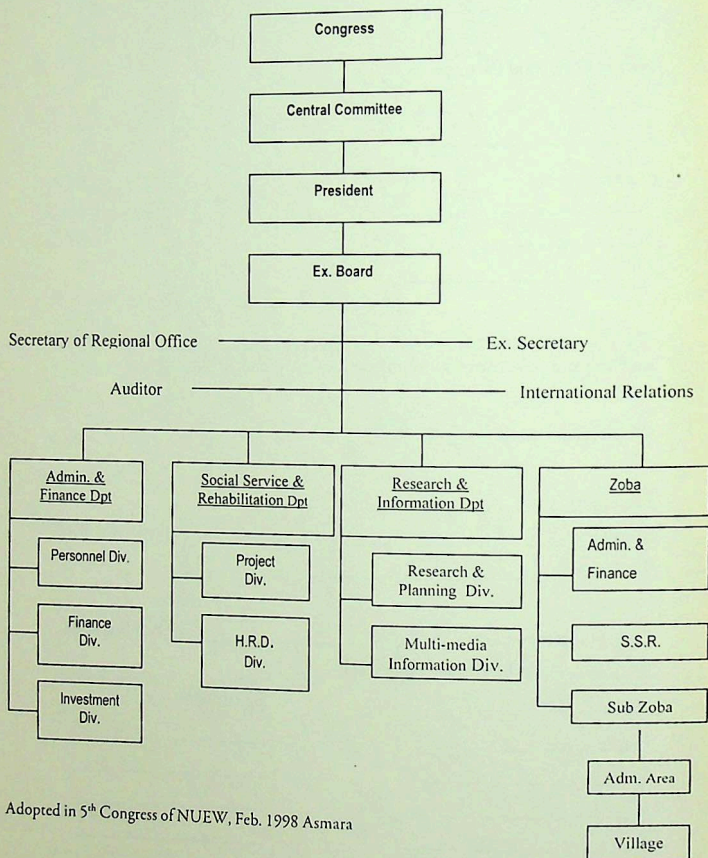
Name

Signature

- | | |
|----------|-------|
| 1. _____ | _____ |
| 2. _____ | _____ |
| 3. _____ | _____ |
| 4. _____ | _____ |
| 5. _____ | _____ |
| 6. _____ | _____ |

*Original text in Tigrinya language

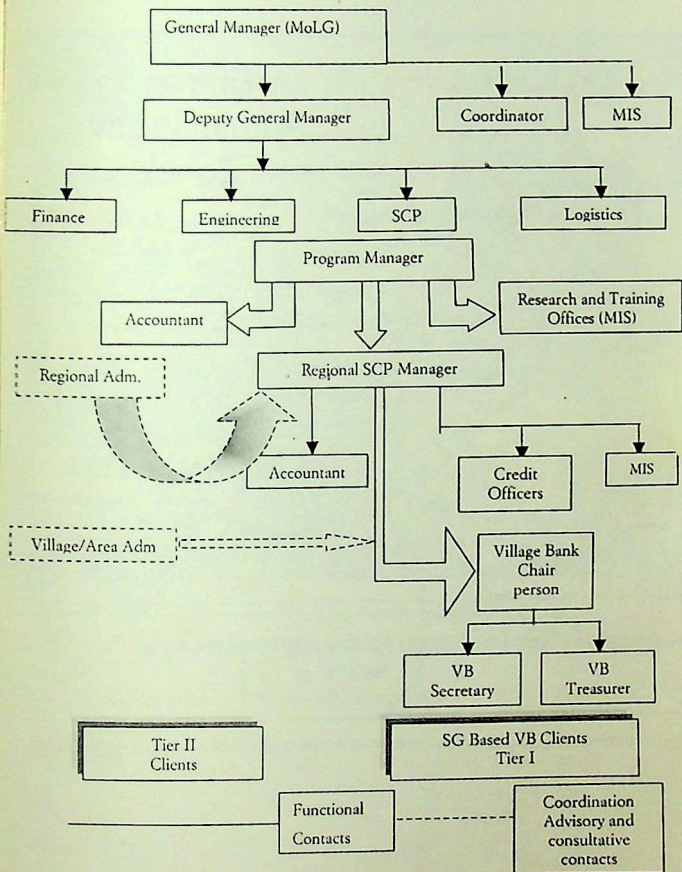
APPENDIX 5: ORGANIZATIONAL STRUCTURE OF NUEW



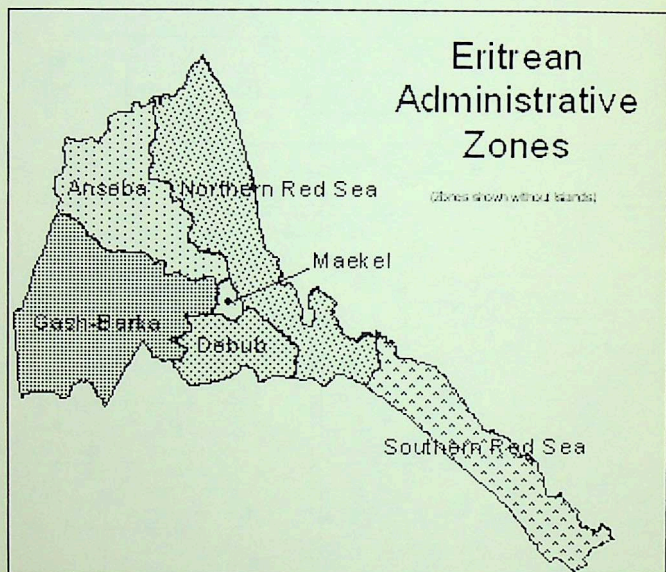
Adopted in 5th Congress of NUEW, Feb. 1998 Asmara

APPENDIX 6: ORGANIZATIONAL STRUCTURE OF ECDF/SCP

Organizational Structure of ECDF/SCP

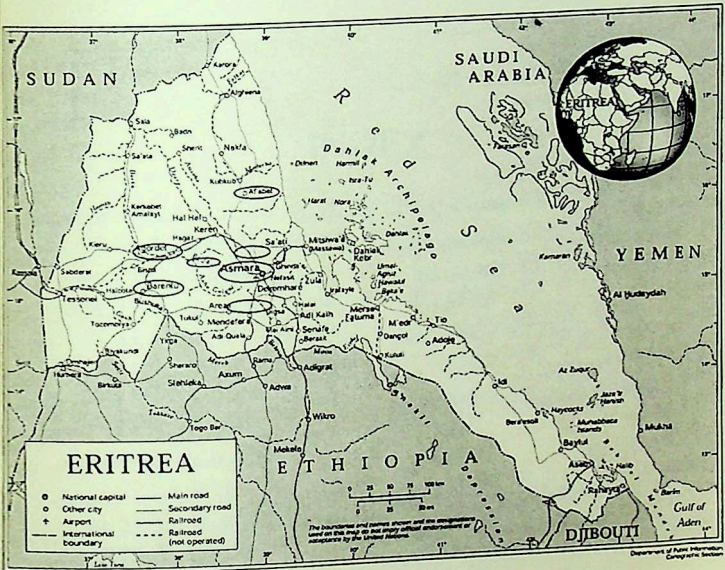


APPENDIX 7A: MAP INDICATING REGIONS

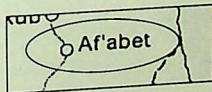


Source: Information Co-ordination Centre (ICC) *Annual Needs Assessment 2000*, Asmara

APPENDIX 7B: MAP INDICATING LOCATIONS WHERE INTERVIEWS TOOK PLACE



Source: United Nations, Department of Public Information Cartographic Section, Oct. 1998.



Our notation for locations of interviews.

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This important new book analyzes, through field research, the most relevant microcredit programs in existence in Eritrea. This African country recently completed a thirty-year war of liberation and is now going through an extraordinary period of construction of its own national identity. Committed to promoting and supporting microcredit initiatives, it seeks an active participation by women in the process of reconstruction and remains a

country firmly committed to its own history and culture. Eritrea therefore constitutes an excellent case for observing and analyzing microcredit programs on a large scale, carried out in a geographically varied land, with a high number of participants and a diverse population, in a postwar situation.

Focusing on female empowerment, the authors shed light on the great difficulties encountered in conducting microcredit programs in a social environment governed by ancient norms and traditions. They identify the strategies carried out by the various actors involved, field agents and clients to further develop the possibilities of such programs. Instead of following the point of view of World Bank or NGO experts, the authors valorize the point of view of the women participants, and in the words of the women themselves, they find suggestions for social change oriented toward the needs of the poorest people. With extensive discussion of the varying theoretical approaches to microcredit, and an extensive bibliography, the book is ideal for classroom discussion as well as for practical uses of microcredit projects.

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