

**“An Evaluation of Microfinance as a Tool for Poverty Alleviation  
Case Study of SEPAS/FONCRESOL, Potosi, Bolivia”**

By

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## **Abstract**

### **An Evaluation of Microfinance as a Tool for Poverty Alleviation: Case Study of SEPAS/FONCRESOL, Potosi, Bolivia**

By Maria Urbina

*In this study, I evaluate microfinance in regards to the role it plays in development. The essence of the newest debate in the field is on how to carry out microfinance so it is more effective. There are two approaches: self-sustainability, committed to a market approach to microfinance; and poverty, which views microfinance as part of a broader social perspective. Through the case study of a small poverty-oriented NGO in Bolivia, I attempt to determine the effect of its microfinance project on poverty. The findings from this study suggest that this project does not reach the poorest of the poor, has a limited impact on women's empowerment and other aspects, but has, as perceived by the beneficiaries, a positive effect on their economic lives. It is the conclusion of this study that microfinance has a limited effect on poverty reduction but that it has intrinsic value for the poor.*

June 10, 2004

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I dedicate this to my grandfather, Jaime Mande: *Gracias por siempre creer en mi!*

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## **List of Acronyms**

BRI.....	Bank Rakyat Indonesia
CEPS-C.....	<i>Comisión Episcopal de Pastoral Social</i> – Cáritas
FFPS.....	<i>Fondos Financieros Privados</i> (Private Financial Funds)
FONCRESOL	<i>Fondo de Credito Solidario</i> (Solidarity Credit Fund)
MFI.....	Microfinance Institution
SEPAS.....	Secretariado de Pastoral Social

## **Chapter 1**

### **INTRODUCTION**

In the past fifty years, development practitioners have striven to come up with solutions to alleviate poverty. Among these, microfinance (defined as financial services provided to the poor) has been thought of as a particularly creative, cheap and fast tool to improve the welfare of the poor (Gonzales-Vega et. al, 2000: 334). Microfinance promoters claim that it is a cost-effective, sustainable development model that reaches the poorest, increases their income, empowers women, and enables families access to better health care, education and nutrition (Drake and Rhyne, 2000: 5). These claims, supported by some of the biggest players in the international aid industry (USAID, the World Bank, Acción International, and the Consultative Group to Assist the Poorest (CGAP) among others), place microfinance as a panacea for development.

As a result of its popularity with funders and its rapid development in countries such as Bolivia, Bangladesh and Indonesia, more and more studies have been carried out to determine the real impact of microfinance on poverty. Many of these have found that the positive claims made about microfinance may be more optimistic than the reality they attempt to describe.

## **1.1 Applied Project Objective and Research Question**

It is the objective of this applied project to evaluate microfinance in regards to the role it plays and can play in development. Through a specific case study, I seek to answer the research question: *what is the effect of microfinance on poverty?*

I have undertaken an evaluation of a microfinance project carried out by a small Bolivian NGO, which operates in the poorest city of Bolivia, Potosí. My evaluation is based on criteria that I have designed to determine whether the activities and outcomes of the project are desirable or not. I have based these criteria on three main ideas. Firstly, on the idea that poverty is beyond material deprivation, that it entails aspects such as participation, access to services, choices and vulnerability. Secondly, on the idea that for microfinance to be truly effective it needs not only to *reach* the poorest of the poor but also to offer them other services such as savings. Finally, I draw some elements from an evaluative framework, based on six aspects: worth to users, costs to users, depth, breadth, length and scope.

## **1.2 Rationale and Context**

With a GDP per capita of \$950 US and social indicators similar to Sub-Saharan Africa countries, Bolivia is one of the poorest countries in Latin America and the poorest in South America. About two-thirds of the Bolivian population is poor, with low levels of education, health and nutrition. The average schooling completed is less than seven years, infant mortality stands at 60 per thousand live births, and 10 percent of the children under

five are malnourished (World Bank, 2003). According to the World Bank, 95% of Bolivia's *rural* population is poor. These are generally wage-earners or peasants who own very little or no land and who lack access to credit and basic infrastructure. In the department of Potosí, the annual average income per family is \$236 US, the poverty index is at 80%, and the illiteracy rate is 40%, of which more than half are women (FONCRESOL, 2003).

### **1.3 Summary of Methodology**

#### **1.3.1 Agencies**

I will focus on the case study of a project carried out by Pastoral Social (SEPAS). SEPAS is a small NGO that works in the area of what it calls “human promotion”,<sup>1</sup> through projects with children, the elderly, community leaders and women both in rural and urban areas. SEPAS has a strategic alliance with FONCRESOL, an NGO “... specialized in the management of credit” (FONCRESOL, 2003) whose main purpose is to improve the living conditions of the poor, and to stimulate economic activity and food production, through access to credit for men and women. FONCRESOL has given SEPAS a loan of \$50,000 US to administer a project called Yanapanaku (“Mutual help” in Quechua), which provides credit to 300 poor women through the group lending methodology called *communal bank*. This is the project I will evaluate.

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<sup>1</sup> “Human Promotion” in this context means community empowerment and development.

Focusing on the work of SEPAS will allow an understanding of some of the real-life dynamics of microfinance and to learn from the organization's experience: once determined which practices work and which do not in the project, it will be possible to draw out some insight towards the debate of the effects of microfinance on poverty in general. In turn, this knowledge will enable me to assist SEPAS in identifying key practices that will help the organization improve its program.

### 1.3.2 Research

I spent eight months in Bolivia, out of which I worked five in SEPAS carrying out an evaluation of the project Yanapanaku. I used both qualitative and quantitative research methods consisting of the following:

1. Semi-structured interviews with 21 of SEPAS' participants as well as with 3 SEPAS and FONCRESOL staff and relevant experts/third parties.
2. Participant observation of 66 communal bank meetings, systematically observing and making notes on interactions, discourse, and events to complement the results from the interviews. Also conducted participant observation within the organization.
3. Document Analysis of both SEPAS and FONCRESOL on their history, mission, mandate, and policies, as well as correspondence between both organizations.
4. 241 surveys in all 15 communal banks, to obtain economic and social information on the clients.

## **1.4 Structure of the Document**

The next three chapters will provide the necessary background information and context for the study. In Chapter 2 I will focus on the review and analysis of the literature on the field of microfinance. I will first provide a summary of the evolution of subsidized credit provision into microfinance. I will then explore the major debates in the field as well as provide an analysis of the definitions and measurements of poverty. Finally, in this chapter, I will develop the criteria based on the literature with which to evaluate the project. In Chapter 3 I will provide the historical, political and economic context of Bolivia. I will begin with a short overview of the political, economic and social history of the country since the Chaco War. I will then review the current situation of the country, and finally, I will attempt to paint a clear picture of the poverty in the country and in Potosí. In Chapter 4 I will describe the microfinance landscape of Bolivia, highlighting its main characteristics such as the presence of private financial funds (FFPs) and the microfinance crisis in 1999-2000. Following, I will review the two most influential studies carried out in the country on the impact of microfinance. In Chapter 5 I will review the case study and describe in detail the agencies and the project studied. I will then give a detailed description of the study, its objectives, the methods used and some of the methodological challenges. Finally, I will explore closely the findings of the study. In Chapter 6 I will provide an analysis of the findings and attempt to link these with microfinance at the larger scale.

## **Chapter 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

All studies carried out in any field need to take into account the existing literature, as the evolution of concepts and arguments in addition to the current debates will frame the researchers' work. I will attempt in this chapter to review the most important studies, arguments and debates in the field of microfinance. This is not an easy task because of the general lack of consensus in just about every aspect of microfinance; however, this very richness of views will make the challenge a lot more interesting.

I will first give a general overview of microfinance, its definition and how it has evolved through time. In this section I will also look at those institutions that have been equated with best practices in the field. Following this, I will look at the major debates in the field. Thirdly, I will explore the dimensions of poverty and how they are affected by microfinance. Finally, I will present the hypothesis of my study.

#### **2.2 An Overview of Microfinance**

Microfinance is defined as a broad range of financial services provided to the low-income segment of the population. The term evolved from the concepts of 'microcredit' and 'microenterprise' financing, to include the importance of savings as well as borrowing. Although the terms are used interchangeably, microfinance represents the

field as a whole, while the other two terms are more technical and refer only to credit provision. The emphasis is on *micro* because, in both savings and lending, the amounts of money are extremely small, ranging between \$50 to \$200 USD.

The World Bank defines microfinance as “...small-scale financial services – primarily credit and savings– provided to people who farm or fish or herd and who operate small enterprises or microenterprises where goods are produced, recycled, repaired, or sold; who provide services; who work for wages or commissions; who gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and groups at the local levels of developing countries, both rural and urban.” (Robinson, 2001: Presentation)

The notion of credit, as a tool for poverty reduction, has existed since the 1950s when governments and international donors provided subsidized credit to small farmers in the rural areas of developing countries. With the green revolution came the idea that small farmers needed to adopt new technologies, and that the way to facilitate this was through the provision of credit at a smaller interest than that charged by monopolistic money lenders (Rogaly et al., 1997:5). The promotion of government subsidized credit<sup>2</sup> was seen then as a means to economic growth and the reduction of poverty.

Credit was provided under the condition that it was invested in productive activities. These activities were expected to generate the incomes that would then repay the loan. However, the returns estimated by the lending organizations were often higher

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<sup>2</sup> National governments of developing countries, particularly in South Asia, received in turn funding from international donor agencies for their poverty reduction programs.

than the actual yields and loans were often not repaid. In addition to this, “urban biased credit allocation, the poor’s lack of collateral, the higher transaction costs faced by small borrowers, interest rate restrictions on formal lenders and patronage, arbitrariness and corrupt practices” were other problems that prevented poorer farmers from benefiting (Matin et al., 2002: 283). In general, this first ‘wave’ of credit provision was a failure.

In the 1970s the idea that credit to the poor should not be government subsidized but provided by independent private entities at market interest rates was presented in the academic circles by researchers from the Ohio State University. At the same time microfinance organizations (MFIs) around the world began to grow and prosper, providing the evidence to support the Ohio perspective<sup>3</sup>. New kinds of innovative financial institutions appeared in Bolivia, Bangladesh and Indonesia (Ibid: 284). These microfinance institutions (MFIs), designed new and creative methodologies to overcome some of the failings from the previous wave. They redesigned “access methods, screening of borrowers, and incentives to repay” (Johnson, 1998: 800) as well as intensified their loan collections methods which overall “helped to raise repayment rates and present poor people as credit-worthy borrowers” (Ibid). The main differences between MFIs and their predecessors were four: First, most of these institutions became financially sustainable while keeping their subsidies to a minimum. Second, they introduced a very innovative lending methodology based on group lending which, through peer pressure, eliminated the need for material collateral. Third, they provided

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<sup>3</sup> This is seen as the ‘second wave’ of microfinance.

credit at market (or a little less than market) interest rates. Fourth, they were completely separate and independent from government (Matin et al., 2002: 285).

The success of MFIs inspired a massive influx of international funding oriented towards credit provision in developing countries because it was seen as the most effective vehicle for poverty reduction. “The initial focus of the donor community was to achieve scale or outreach, rather than seeking financial sustainability. However, ... declining donor funds in the 1990s<sup>4</sup> contributed significantly to the shift in the donors’ focus from outreach toward financial sustainability” (Makoba, 2001: 353). Since then, international aid donors have given priority to those organizations that can ensure their own financial survival: “The real success of microfinance lies in its inherent attractiveness to donor agencies. Well-run microfinance institutions offer donors an opportunity to support organizations that will provide financial services to their borrowers on an increasingly cost-effective basis until in 5-10 years they become sustainable” (Drake & Rhyne, 2002:35). For example the British donor agency DFID (Department for International Development) is “committed to only working with institutions which share [its] long term vision of sustainability and independence from donor support” (FOCCAS Uganda in Makoba, 2001:355). This donor pressure, and endogenous circumstances (such as the increase of competition among MFIs) in some of the countries where MFIs operated, led to a transformation of many of these into commercial entities operating on a “business-

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<sup>4</sup> After the end of the Cold War, the money spent by the former superpowers and their allies declined sharply. Because there was less aid money, international donor agencies began switching their attention from subsidized to market-based interventions (Jonson & Rogaly, 1997:5)

like model with a focus on profitability” (Makoba, 2001:355). This transformation is often referred to as the commercialization of microfinance organizations, a process that has intensified itself in the last few years, turning microfinance from a donor-driven initiative into an industry.

A critical view of the process of commercialization sees it as another example of the shift from the state away from service provision, and the take-over of this by the market, ultimately transferring all responsibility to individuals. First, the state no longer provides the services, as it decided to do in the mid 1980s in Bolivia, so that the provision of these is carried out by NGOs and other institutions. Second, the state does not provide subsidies to these institutions because they are now self-sufficient. Third, the poor become the potential micro-entrepreneurs of liberal theory, which will then be the drivers of economic activity and growth (Johnson, 1998: 202). These notions run counter to a more socio-political perception of poverty, which deals with issues of powerlessness and societal, political and economic constraints.

Since the 1980s a broad global movement has been spearheaded to expand financial services to the poor. This movement, self-proclaimed as the microfinance movement comprises over 1,000 microfinance institutions and NGOs, to name a few: Action Aid, Ford Foundation, NOVIB, and Save the Children (Drake & Rhyne, 2002:5). The movement took on such force that in 2000 it began a campaign to raise international commitment to microfinance by hosting the Microcredit Summit, a large event, repeated in 2002, which placed microfinance as *the* key tool for development. The summit’s

perhaps over-optimistic goal is to reach 100 million of the poorest families by 2005 (Microcredit Summit Campaign, 2003).

### 2.2.1 The Big Players in Microfinance

Among the most important MFIs in the international microfinance fora are the Grameen Bank of Bangladesh, BRI of Indonesia and BancoSol of Bolivia. Grameen is the most cited example of best practices in microfinance. As the mother of microfinance, Grameen is synonymous with microcredit. Grameen sees microfinance as a poverty alleviation tool and has designed its methodology to suit the particular conditions of Bangladesh. The bank designed an entire banking system that was not based on collateral, but rather, on participation, accountability and trust. Grameen operates on the belief that the rural poor can generate productive self-employment for themselves if they are provided with appropriate amounts of credit along with proper counselling. This approach was developed by the Bengali economics professor Muhammad Yunus in the late 1970s, as a response to specific conditions in Bangladesh: the high density of the population, the poverty of landless labourers, the marginalized conditions of women, and the domination by large NGOs of the development process (Wright, 2000:6). Since then, the Grameen Bank has loaned \$2,591.78 million (Washid, 2000:160) to 2.4 million borrowers, 95 percent of whom are women, with a 98 per cent repayment rate (Hossain, 2002). However, the bank's expansion since the late eighties has caused extremely high operating costs. It has, therefore turned to borrowing from several international donor

agencies, including the International Fund for Agricultural Development and the World Bank. Currently, the bank's operating expenses are larger than its operating income, making it heavily dependent on international aid. This dependence is also seen throughout other NGOs in Bangladesh that follow closely the Grameen model.

The Bank Rakyat Indonesia is a state-owned commercial bank which in the mid 1980s implemented a nationwide microfinance system, based on a network of several thousand village based units. In less than two years BRI turned a profit. At the end of 1999, BRI had 2.5 million borrowers, with a portfolio of \$848 million, and savings deposits of \$2 billion (Rhyne, 2001: 9). What makes BRI special is its emphasis on savings, which separates it from Grameen or BancoSol which still focus mainly on credit. BRI demonstrated that savings are an important financial service for the poor, that the poor can actually save in a bank, and that a small base of savings can sustain a financial organization. It was because of the BRI experience that the term microcredit was changed to microfinance to include savings. BRI's focus on savings is shared with worldwide credit unions, which have always been savings-based institutions. Another feature of BRI that separates it from the rest of MFIs is that it was a bank before it entered the microfinance world and continues to operate as a bank while it also provides services for its poorer borrowers.

Banco Solidario of Bolivia, known as BancoSol "is the first non-governmental institution in the world to convert itself into a deposit-taking bank" (Mosley in Hulme and Mosley, 1996:1). In 1992, BancoSol became PRODEM (Fundación para la

Promoción y Desarrollo de la Microempresa, or Foundation for the Promotion and Development of Microenterprise), an institution established in 1987 by local businessmen and USAID (which together with ACCION International has focused on pushing for the commercialization<sup>5</sup> of microfinance institutions in Latin America).

“Although PRODEM was successful compared with most other microfinance organizations, its stakeholders believed that its NGO status constrained its potential breadth [number of users], length [sustainability] and scope [number of financial services offered]. For example, PRODEM was not regulated and thus could not mobilize savings. Furthermore, the founders of BancoSol hoped that its for-profit status would help to attract private investment; PRODEM had been frustrated by the slow, strings-attached processes required to get cheap funds from donors. Finally, the donors involved wanted to test whether an NGO could become a bank.” (Schreiner, 2002:597)

This change led to an increase in the number of borrowers from 23,000 in 1991 to 81,000 in 1998 (Schreiner, 2002: 597). BancoSol generated performance indicators (assets, asset quality, and capital adequacy) that topped even those of corporate banks, drawing international attention to it (Rhyne, 2001:115). However, the bank was hit hard by the 1999 microfinance crisis in Bolivia, which I will explain later in Chapter 4, but it still retains its leading market position in the country.

As it can be seen, the first wave of microfinance was that of subsidized rural credit to poor farmers; the second has been that of microfinance institutions driving towards commercialization, which have proved that the “poor are bankable” (Matin et al., 2002: 291). Some say that the third wave is near; however, there is much debate on the future evolution of microfinance. Let us explore the essence of this debate.

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<sup>5</sup> The term *commercialization* refers to microfinance NGOs transforming themselves into for-profit financial institutions.

## 2.3 Main Debates in Microfinance

The main discussion about microfinance has been on whether microcredit is a positive or negative tool for development. Promoters of microfinance claim that it is “reaching the poorest, increasing their income, galvanizing them into collective action to resist oppression, ... empowering repressed women so that they are enabled to take control of their lives, stimulating them to use modern contraceptive methods, ...enabling families access to better health care, education and nutrition, ... and providing a cost-effective, sustainable development model that is applicable not just in developing countries but also among poorer communities in the developed world” (Drake & Rhyne, 2000:5). On the other hand, those who dislike microfinance practices argue that they “... fail to reach the poorest, generally have a limited effect on income, address the symptom rather than the social cause of poverty, drive women into greater dependence on their husbands, and fail to provide the additional services desperately needed by the poor: health, education, etc.” (Wright, 2000: 6).

The first detailed study of the impact of microfinance was carried out by Mahabub Hossain, who researched a Grameen Bank microcredit programme in 1983/1984. He observed that the most direct effect of the loans was the accumulation of capital by the poor. In the same way, the income of those who had loans with Grameen was 43% higher than those who didn't (Drake & Rhyne, eds., 2002:14).<sup>6</sup> In Kamal's 1996 study

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<sup>6</sup> It is unclear from the manner in which the study is cited in Drake & Rhyne, whether the income of Grameen borrowers was higher than non-borrowers to begin with. As noted later in my study, one would need before and after data to effectively measure the impact of microfinance on income levels.

of the same programme it was also found that borrowers had a higher per-capita income than those who didn't borrow. In 1991 Chowdhury et al. "asserted that women (and men) participating in BRAC sponsored activities have more income (both in terms of amount and source), own more assets and are more often gainfully-employed than non-participants" (Ibid). Many more studies have shown the positive impact of microfinance on income. However, it is important to note, as I will explore later in the section on poverty, that an increase in income does not necessarily mean there is a reduction in poverty.

In 1992, Wood was the first to criticize credit as a poverty alleviation tool saying that it was "pernicious, even when it includes participatory rhetoric, because it suggests solutions independent of the structures which produced the problems" (Wood, 1992). In 1997, he again, this time with Sharif, commented that credit "...offers an alibi for donors as well as nervous host governments to withdraw from a broader analysis of poverty into a narrower, neo-liberal, conception based on people's financial liquidity." (Wood & Sharif cited in Drake & Rhyne, eds., 2002:20).

In 1997, Paul Mosley and David Hulme noted that the Grameen Bank and other NGOs were moving away from serving the poorest of the poor. They saw this as the result of the increasing search for institutional sustainability, which, in their view, is incompatible with depth of outreach (reaching the poorest of the poor). This finding has also been well studied and documented by other authors such as Hashemi (1997),

Rahman (1997), Matin (1998), Zaman (1997), Rogaly (1996), and Rutherford (1999), and will be explored ahead in more depth in the section on poverty.

The debate around the effect of microfinance on gender power relations is one of the more contentious ones within the field. Although more and more studies show the limited effect of credit on women's empowerment (Goetz and Sen G., 1996; Rogaly, 1996, Mayoux, 1995, 1998, 1999; Mayoux and Johnson, 1996, 1997; Johnson, 1997), microfinance is still generally regarded by the mainstream as a positive intervention for women. Traditionally, microfinance has targeted women, mainly because women, in most societies, manage the day-to-day household finances and because they have proven to be better at repaying than their male counterparts (Hulme & Mosley, 1997; Hossain, 1988; Gibbons & Kasim, 1991). In 1986, R. Rahman carried out an important study on the gender impact on Grameen members in which she concluded that the women in this program were in a better situation (higher nutritional status, better clothing and medical needs met) than the housewives of male borrowers (Rahman, 1986). In 1994, Mizan's study supported Rahman's findings; Mizan found that:

“Grameen Bank participation has a positive and significant effect on women's decision-making both in bivariate and multivariate context... Bank participation benefits women by providing them with important monetary resources as well as non-monetary. For example, more years of participation enable women to acquire resources, including income, negotiating skills, social network affiliations, and knowledge, helping them to gain more decision-making power” (Mizan, 1994).

In the same year Anne Marie Goetz and Rina Sen Gupta set out to investigate whether women actually controlled the credit they received. They found that a significant proportion of women's loans (63%) were controlled by male relatives (Goetz & Sen Gupta, 1996:45). They observed that this causes tensions within the household in many ways, but mainly through increasing the pressure on women to repay a loan that may have been badly invested by their husbands or sons. It also may have negative implications for "long-term changes in household decision-making and in gender relations" (Goetz & Sen Gupta, 1994). However, the authors also observed that even if women do not control their loans, their status within the household is enhanced "because they are acknowledged as an important new source of revenue" (Goetz & Sen Gupta, 1996:53).

Some authors such as Todd, Drake and Rhyne criticize the works of Goetz and Sen Gupta and others such as Mayoux and Johnson, as Western-feminist interpretations of women's reality in developing countries. They argue that these are issues irrelevant to the actual women in question and that most of their decisions are driven more by economic rational behaviour than by gender oppression. According to these authors, some of the economic reasons that women transfer loans to their male relatives are 1) attempting to increase the rates of returns on their investments, since it has been proven that men's returns are higher than women's (Matienzo, 1993); 2) attempting to diversify the sources of household income and reduce risk; and 3) awareness of their reliance on

men in their own enterprises and the need to ensure that the men benefit from their access to loans (Kabeer, 1998).

It is a hard task to establish the clear impact of microfinance on gender relations. The majority of studies see microfinance as *the* tool for women empowerment. More studies like Goetz and Sen Gupta's are needed to ask key critical questions. The fact that microfinance targets women does not mean that it automatically improves their situation; in this sense the fact that over 95% of microfinance borrowers are women does not make microfinance a gender oriented intervention; this percentage has more to do with efficient loan recovery than with women's empowerment. As Linda Mayoux observes: "Simply increasing the numbers of women involved in participatory projects cannot therefore be seen as a panacea, or an easy alternative to addressing politically sensitive aspects of gender inequality. Serious questions need to be asked about which women are involved, what sort of participation is taking place, and who benefits" (Mayoux, 1995:251).

However, we cannot deny some of the positive effects that microfinance programs have in the lives of their participants. From my own experience with the women in the 15 communal banks I worked with in Potosí, I was able to observe that credit did not change gender relations within the household, but what it did do was to provide a space (at the weekly meetings) for women to voice their opinions, discuss family problems and have legitimate reasons to move about outside of their households. This was crucial in helping the women strengthen their own identities outside their families.

In general, researchers have been able to complete enough impact studies of projects and programmes in numerous countries to allow a reasonably thorough assessment of the impact of microfinance in regards to all the above issues. Some still believe that microfinance is an effective tool for development (authors such as Elizabeth Rhyne, Deborah Drake, María Otero and others affiliated with organizations such as USAID, the World Bank, Acción International, the Consultative Group to Assist the Poorest (CGAP), as well as the general consensus of the Micro Credit Summit in 1997). Other authors, some of whom have been writing on microfinance for a very long time, are very critical of the claims made about microfinance while they still see it as a useful tool with intrinsic value for the poor (authors such as Paul Mosley, David Hulme, Ben Rogaly, Imran Matin, Susan Johnson, Stuart Rutherford, and Graham Wright).

In summary, although there is debate on the impact of microfinance on poverty, gender relations, and access to health and education, the evidence suggests that “microfinance interventions may increase incomes, contribute to individual and household livelihood security, and change social relations for the better. But that they can not always be assumed to be doing so” (Johnson & Rogaly, 1997:14). What determines whether microfinance interventions lead to positive outcomes or not is the way in which these interventions are carried out. Recently, the debate on microfinance has focused on defining what the best practices are and on shaping the meaning of effectiveness.

### 2.3.1 The New Debate in Microfinance – Self-sustainability and Poverty Approaches

Most of the authors mentioned above fall within two camps, the self-sustainability approach and the poverty approach to microfinance. The essence of the debate is on how to carry out microfinance so it is more effective; however, this debate also reflects different ideas about the purpose of microfinance, the meaning of being *effective* and the role that microfinance plays and can play in development. The heart of the difference between these two approaches is on their prioritization of the different inherent trade-offs in microfinance.

#### 2.3.1.1 The Self-Sustainability Approach<sup>7</sup>

This is the mainstream of microfinance, the ideology of the big players in international development and some bystanders.<sup>8</sup> Just as the poverty-approach, it views microfinance as an effective tool for poverty reduction. However, the defining characteristic of the self-sustainability approach is its commitment to a “market approach” to microfinance (Drake & Christen in Wright, 2000:3). This involves “principles such as sustainability, professionalism, and efficiency in the provision of financial services” (Ibid). The highest value is placed on the financial sustainability of the institutions that attempt to reduce poverty. This approach replaces the traditional view of NGOs as ‘charitable’ organizations largely funded by international donors, with a view of NGOs as providers of a service that meets a demand in a “sustainable and

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<sup>7</sup>Also referred to as the Financial Systems Approach, Modernized Approach, or Minimalist Approach.

<sup>8</sup>This mainstream is called by Otero and Rhyne ‘New World’ thinking.

widespread manner” (Dunford, 2001:3). This switch also reflects an underlying belief that the poor should not be dependent on charity but should be encouraged to become the agents of their own well-being.

At the institutional level, within this approach, financial sustainability requires profit-making, therefore, the essence behind self-sustainability is the idea that helping the poor (if done in a certain manner) can be a profitable endeavour. The manner in which microfinance organizations become more profitable is to scale-up. This means increasing the size and scope<sup>9</sup> of operations in order to cut unit costs. In practice this refers to lending larger sums of money to higher numbers of not-so-poor people. The formula is simple: all else equal, the more borrowers an organization has, the higher its profit, both from the increase in revenue and from economies of scale. Using the same logic, the higher the amounts loaned, the higher the income earned on the interest charged to the borrowers. However, this only works if the borrowers have a high return rate. This leads profit-seeking microfinance organizations to choose their borrowers during the loan approval process in such a way as to ensure that those who sign up for a loan can repay it, in this process the poorer applicants are weeded out in favour of the less-poor.

#### 2.3.1.2 The Poverty Approach

This approach views microfinance from a much broader social perspective, that of most NGOs that work in community development. It has its roots in the community

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<sup>9</sup> The term *scope* is not meant here as the number of financial services provided as defined by Schreiner, it is used instead for its English meaning as “that which is proposed to be reached or accomplished; hence, ultimate design, aim, or purpose” (Webster, 1913).

organization and social development school based in Bangladesh. This school placed a high value in providing “conscientisation for social action, legal aid and awareness building programs, training programs to develop human potentials and occupational skills, etc.” (Drake & Rhyne, 2002:17).

The biggest organization in Bangladesh that represents this school of thought is Proshika, which believes that empowerment of the poor is achieved through raising their consciousness, training them with organizational and practical skills, supporting them with resources and “infusing them with the confidence and determination necessary for taking actions to improve both their social and economic lives” (Hedrick-Wong and Kramsjo, 1997 cited in Drake & Rhyne, eds., 2002:18). In 1999, Proshika moved from sole work in *empowerment* to include credit through the operation of a Revolving Loan Fund.

The poverty approach in microfinance has taken elements of the social development school and incorporated them to the provision of credit. The essence of this approach is to target the poorest of the poor while providing social services (training, legal aid, etc.) in addition to credit and savings. The poverty approach sees smaller NGOs working with small groups of the poor as more effective in doing the above than larger MFIs.

The poverty approach also sees microfinance as a way to increase social capital. Putnam defines social capital as the “networks, norms and trust that facilitate co-ordination and co-operation for mutual benefit” (Putnam 1993). Microfinance activities

that are user-owned or user-centered (those based on group lending or on indigenous systems) can create social capital<sup>10</sup> through enabling and supporting the group process, whereby the resources are pooled together and the profit or income remains within the group, maintaining the ownership of the process within the users (Johnson & Rogaly 1997). Credit is therefore seen by the poverty approach as part of a broader set of tools to reduce poverty, therefore it is only part of a package of services, training and spaces that should be provided to the poor.

Perhaps the best way to understand both the self-sustainability and the poverty approaches is through a quick survey of the trade-offs that exist in microfinance. First, there is a trade-off between financial sustainability (scaling-up) and reaching the poorest (depth of outreach). This stems, as explained earlier, from the need to have borrowers who will be better able to repay a loan, therefore scaling-up weeds out the poorest. Second, there is a trade-off between reaching large numbers of people (breadth of outreach) and reaching the poorest (depth). “The poverty approach targets very poor clients who are very costly to serve” (Schreiner, 2002:591)<sup>11</sup>, therefore it targets less of them. The self-sustainability approach targets less-poor borrowers, which are cheaper to serve, therefore, it targets more of them. Finally, there is a trade-off between the permanency of the institution (being around for longer than 10 years) and being donor funded.

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<sup>10</sup> Although a ‘dark side’ of social capital, such as the fact that it ignores power relations, has been identified and discussed (Putzel, 1997:939), there is a general acceptance of the concept as a useful tool for the analysis of microfinance.

<sup>11</sup> They are more costly because they are charged less to use the service (for example, lower interest rate on a loan).

*Effectiveness* is the measure by which microfinance is evaluated. However, being effective means different things to each approach. For the self-sustainability approach, being effective means helping “many less-poor people a little for a long time with a range of financial services”, while for the poverty approach effectiveness means helping “a few very poor people a lot for a short time with only loans [and other non-financial services]” (Schreiner, 2002:600).

In short, the main differences between both approaches are:

*Table 2.1. The Two Approaches*

<b>Self-Sustainability Approach:</b>	<b>Poverty Approach:</b>
- Temporary funding to cover only start-up costs	- Donor supported throughout the life of the project
- Only financial services provided	- Financial services and social services
- Large number of participants	- Small numbers of participants
- Less poor borrowers	- Poorer borrowers
- More permanent (Stay on for a long time)	- Less permanent (short-term projects)
- Higher amounts of money loaned	- Smaller amounts of money loaned

*Source: Author's own research.*

While neither of these two approaches provides all answers to what are the best ways to carry out microfinance, it is my belief that there is a fundamental problem with the drive towards the commercialisation of poverty reduction activities. This drive underlies the assumption that donations should be eliminated and that development activities should be profitable and sustain themselves. I do not argue that financial stability is not something to strive for, however, the problem arises when the search for

self-sustainability compromises the ability of the institution or program to meet its development objectives. If development becomes another profitable activity, driven by the *discipline of the market*, then what shall be of social consciousness, of group action, of the transformation of societies, and of all the things that *development* strives for?

#### **2.4 Schreiner's Framework for Outreach<sup>12</sup>**

In 1997, in an attempt to design evaluation criteria that would go beyond that of the poverty and the self-sustainability approaches, Dr. Mark Schreiner, of the Ohio State University,<sup>13</sup> created a framework based on the social benefit of microfinance for poor borrowers. This framework was an adaptation of social welfare theory that would allow to “reconcile the jargon of microcredit with the standard tools of project analysis” (Navajas et al., 2000:335). In theory, any complete evaluation of a project requires a cost-benefit or cost-effectiveness analysis; in reality it is extremely hard to measure social cost and value. Schreiner's criteria offer an alternate way to estimate the net social benefits of microfinance programs. His framework is based on six aspects of outreach:<sup>14</sup> worth to borrowers, costs to borrowers, depth, breadth, length, and scope.

*Worth to borrowers:* This is defined as how much a borrower is willing to pay for a loan. With everything else constant, the more *worth*, the higher the net gain. “Worth depends on the loan contract and on the tastes, constraints, and opportunities of the user”

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<sup>12</sup> This section based on Schreiner, M. “Aspects of Outreach: A Framework for Discussion of the Social Benefits of Microfinance.” Journal of International Development. 14.5(2002): 591-603.

<sup>13</sup> Dr. Schreiner has moved since to Washington University in St. Louis, Missouri

<sup>14</sup> He defines this as the social value of the output of a microfinance organization

(Ibid). Therefore *worth* is a pretty subjective matter and is hard to measure. However, an increase in business profits is usually used as an indicator of higher worth.

*Cost to borrowers:* This is the cost of a loan to a borrower. It includes both price (interest rate) and transaction costs. Other costs are non-cash: time, and indirect cash: transportation, documents, food, etc. *Net gain* to borrowers is defined as *worth* minus *costs*.

*Depth:* This is the value that society attaches to the *net gain* mentioned above. According to social-welfare theory society will give more weight to the *net gain* of a loan made to a poor woman than the same *net gain* of a loan made to a millionaire. Therefore, because of this preference for the poor, poverty is a good proxy for *depth*. Indirect proxies of *depth* are sex (women preferred), location (rural preferred), education (less preferred), ethnicity (minorities preferred), housing (small preferred), access to public services (lack of preferred), and size of the loan (smaller amount at a shorter term of maturity preferred). The poorer the borrowers of a microfinance program the *deeper* the outreach. *Deep* outreach increases not only the social value but also the social cost, translated into higher costs to the lender (access costs, higher risk, etc.) and to the borrower (shorter term and smaller loans with more frequent disbursements).<sup>15</sup>

*breadth:* This is the number of users and it is very important because the “poor are many but the funds are few” (Navajas et al., 2000:336). Schreiner gives an interesting example of the trade-offs played up by the poverty and self-sufficiency approaches:

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<sup>15</sup> This represents a cost to the user in the sense that s/he might prefer a longer term larger loan.

“Suppose that a tenth of the clients of a self-sustainable lender are poor, that half of the clients at a poverty-oriented lender are poor, and that net gain per client is the same for both lenders. To have the same effect on social welfare, the self-sustainable lender must have 15 to 125 times the breadth of the poverty lender” (Schreiner, 2002:596).

*Length:* This is the time frame in which a microfinance organization provides loans. *Length* matters because society cares both about the loans made now and the loans made in the future. It is hard to measure *length* because it takes place in the future; therefore institutional profits are a good proxy because they signal some kind of ability of the organization to survive if donors leave.

*Scope:* This is the number of types of financial contracts offered by a microfinance organization. This means offering both credit and savings, as well as individual and group credit and different terms on the loans. The more *scope* the more outreach.

In summary, depth is the social value of net gain, net gain being worth to borrowers minus costs to borrowers. *breadth* is the number of participants, *length* is the years of the program, and *scope* is types of contracts. “The social benefit of the outreach of a microfinance organization is net gain weighted by depth, summed across breadth of clients and across scope of contracts, and summed and discounted through length of time” (Ibid). Each aspect of outreach depends on the other five.

In Schreiner’s view, when it comes to the debate between the poverty and self-sustainability approaches, the most critical of these six aspects is *length* as both

approaches have different views on the effect of *length* on the other five aspects: “Microfinance organizations that do not aim for sustainability believe that the short-term increase in the net gain caused by low prices swamps the effects of reduced length from low profits. Lenders that aim for sustainability believe the converse.” (Navajas et al., 2000:337). This means that poverty oriented organizations place priority on the present while self-sustainability oriented organizations place priority on the future. Schreiner’s framework is useful, because it allows us to analyse the social benefits of a microfinance program in regards to broader perspective rather than the narrow focus on net gain and length that the two main approaches to microfinance have. It would be rather ambitious of my part to attempt to carry out my evaluation following Schreiner’s framework. However, in designing my criteria for the evaluation of the SEPAS project, I have integrated elements of worth and costs to borrowers, depth, breadth, length and scope that will allow for a broader and more careful evaluation of their microfinance activities.

## **2.5 The Poor and How They Manage Their Finances**

In order to have a complete picture of how microfinance truly impacts the poor, it is necessary to understand how poverty is conceptualized. I will first review three major dimensions, as identified by Wagle, that define and measure poverty (economic well-being, capability and social exclusion). I will then follow with a brief discussion of some of the issues around microfinance as it relates to poverty.

The most widely used definition of poverty is that of economic well-being. This definition, spearheaded by economists, attempts to define poverty in quantifiable ways, through measuring income, consumption and welfare; which are all interrelated and focus mainly on foods and goods. These three measures are defined absolutely, relatively and subjectively. The most fundamental measure of economic well-being is absolute poverty, meaning the lack of basic means to survive. These basic means are standards designed by economists to include the minimum amount of income required to acquire a certain minimum caloric intake, a minimum basket of consumption goods, and a level of individual utility<sup>16</sup> needed to live a basic life (Hagenaars, 1991; MacPherson & Silburn, 1998). Following the absolute income approach, the World Bank, the IMF (International Monetary Fund), and less-often, the UNDP (United Nations Development Program), define the poverty line based on the earning of one dollar per day (Wagle, 2002: 156). The ILO (International Labour Organization) incorporates basic needs to an absolute measure of consumption, so it defines the poverty line as the minimum requirements for food, shelter, clothing and other important services such as transportation, education, health, etc (ILO, 1976). “These income or consumption-based absolute poverty lines have become a norm today in almost every developing country” (Wagle, 2002:156). While these two measures have become quite common, measurements of welfare or well-being need to be developed further.

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<sup>16</sup> Utility is an economic term that describes happiness or satisfaction.

Relative definitions of income stem from the idea that one's income, consumption and welfare are interrelated to others' economic well-being in society, therefore, measurements of poverty should be based on relative poverty lines, that measure how the least well-off in a society compare to the societal average. Therefore, if measuring relative poverty, a person is poor if she lacks a certain amount of income, minimum consumption and well-being derived from a mean or median of the society.

The second dimension of definition and measurement of poverty is that of capability. This has facilitated the measurement of poverty beyond economic well-being by looking at "factors that make individuals unable to derive sufficient human well-being" (Wagle, 2002: 158). The capability approach is then the evaluation of the ability of individuals to achieve human well-being. The UNDP has recently incorporated the capability approach to its measurement of poverty, therefore measuring illiteracy, malnutrition, life expectancy, poor maternal health, and illness from preventable deceases (UNDP, 2000).

The last definition and measurement of poverty is social exclusion. This definition measures how well a person is integrated into the mainstream economy, political and civic activities, and her society's culture in general. It measures if individuals or groups are fully or partially excluded from participating in the societies in which they live.

As more work and research is carried out to define poverty more accurately, we can expect a higher integration of economic well-being, capability and social exclusion

definitions into a broader and more holistic view of poverty. This study attempts to use this holistic view (focusing on capability and social exclusion approaches), as I define poverty beyond material deprivation, entailing aspects of participation, access to services, choices and vulnerability.

### 2.5.1 Poverty and Microfinance

What does the economic environment of the poor look like? First, the poor operate in small scale economies, in which trading, production, consumption, savings, exchange, borrowing and income-earning occur in very small amounts. This implies that the transaction cost of carrying out these activities is really high, as these costs come about per unit. In this sense, it is impossible to envision a microfinance program that has transaction fees as it would be unaffordable to the poor. Second, there is a high level of risk and insecurity, due to both bad timing of income earning and expenses (i.e. also known as cash flow problems), and external environmental factors. The consequences of these two characteristics are that they: limit the interaction of the poor with the formal sector of society; encourage the practice of risk-spreading by the poor such as diversifying their economic activity; and lead to the use of savings and credit mechanisms as insurance (Matin et. al. 2002: 275).

Among the many misconceptions about the poor that have shaped policy there is the idea that poor people do not and cannot save. Underlying this is the assumption that the poor are irrational, wasteful and unable to 'better' themselves to get out of their

situation. The experience of authors such as Matin, Hulme and Rutherford (2002) is that, although aware of problems of alcoholism and gambling, the poor are actively and constantly seeking ways to improve their circumstances. The poor do save, but they do so in less conventional ways, and in very small amounts. As they deal with informal and semi-formal microfinance institutions (MFIs), the poor will usually use as many devices and services as they can. They will often belong to one or two different ROSCAS (small informal revolving group-lending schemes), as well as have a micro loan from an MFI while they retain their relationship with an old money-lender (these run for-profit, informal lending schemes). In 1997, Hulme and Mosley discovered that depending on prices, health, time of the year (seasons), the poor pursued a mix of activities that include growing their own food, working for others, running small informal businesses or production activities, and accessing loans from friends, relatives and NGOs. They observed that “in terms of economic behaviour, they are closer to the manager of a complex portfolio than the manager of a single-product firm” (Hulme & Mosley, 1996). The poor have a complex web of financial needs and transactions, and this fact needs to be recognized by practitioners and policy makers in order for microfinance to be an effective tool for poverty alleviation.

Two types of strategies for coping with risk can be identified. The first is income smoothing, in which the poor make conservative production or employment choices and they diversify their economic activities, therefore protecting themselves against income shocks before they occur. The second is consumption smoothing through borrowing and

savings, eliminating and accumulating non-financial assets, and using both formal and informal insurance mechanisms (Matin et al. 2002: 286). If the poor do not have access to financial services, both these risk-coping mechanisms can in themselves be costly and further exacerbate poverty. Financial services can, therefore, positively affect the household's economic stability through savings and income generation, allowing the poor to engage in perhaps more risky but more profitable economic activities. Financial services can also contribute to the reduction of the cost of consumption smoothing through eliminating the need for the households to get rid of non-financial assets and to have more liquidity.

As mentioned earlier on, one of the major issues in microfinance has been its apparent inability to reach the poorest of the poor. Many authors have determined that there has been a failure of financial services to reach down to the bottom of the poverty pool, as the majority of MFIs have concentrated around the poverty line, meaning the “predominately ‘moderately poor’ (top 50th percentile of households below the poverty line) or ‘vulnerable non-poor’ (households above the poverty line but vulnerable to slipping back into poverty)” (Woller, 2002:306). The exclusion of the poorest of the poor –whether it is through self-selection or through peer group selection- is a common phenomenon. Even those who do join a microfinance program drop out after several loan cycles.

Why does this phenomenon occur? Most MFIs do not specifically target the very poor (those within the self-sustainability approach), and the few that do target the very

poor (those within the poverty approach), attempt to do this through mechanisms intended to weed out better-off borrowers such as low initial loan sizes, stepped loans,<sup>17</sup> and fixed interest rates and terms. The problem is that these mechanisms, while they exclude the better-off borrowers, do not necessarily provide the services that the ultra poor need and want and so they weed them out as well. In addition, MFIs' staff and peer lending groups are biased against the very poor (stemming from concerns around creditworthiness, etc.) and their behaviour further discourages this group from joining in. The focus of MFIs on credit or repayment discipline lead the very poor to voluntary self-exclude or drop-out since they are a lot more vulnerable to external shocks that compromise their ability to repay within a set schedule. Other factors leading to the exclusion of the very poor from access to financial credits are the tendency of MFIs to locate themselves in urban areas as opposed to rural areas where there are higher indices of poverty, as well as their emphasis on the provision of enterprise loans as opposed to other loans for consumption or emergencies. Finally, a major factor in the discrimination of the very poor, is the focus of most MFIs on credit, rather than focusing on services that might be of more value to the very poor such as savings. Woller argues that this represents a marketing failure in microfinance in that MFIs have focused on the products and services they could produce (institutional needs) rather than on those that their *customers* (the poor) want them to produce (*consumer needs*) (Woller 2002: 307).

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<sup>17</sup> Stepped loans are loans that increase in amount after the previous loan has been paid. For example, the first loan a borrower receives is \$100, once that is paid off in an established amount of time, then the next amount loaned will be \$150.

Hulme and Mosley's influential 1996 study of 13 microfinance institutions showed that:

The impact of a loan on a borrowers' income is related to the level of income...this finding should not be unexpected given that those with higher incomes have a greater range of investment opportunities, more information about market conditions and can take more risk than the poorest households without threatening their minimum needs for survival. (Hulme & Mosley cited in Drake & Rhyne, eds., 2002:11)

Money loaned to the less poor is spent on productive activities, therefore, it is invested, and this investment –it is expected, yields a return and helps increase and diversify their income. On the other hand, a loan made to the ultra poor, if it does not come with the appropriate support services, will be spent on consumption (for example, food or medical expenses) and will most likely worsen the person's economic situation through indebtedness. This brings us back to Woller's conclusions that if the ultra-poor are to be reached, then other services need to be designed, such as savings and enterprise support, which will be of use to them and not drive them into further poverty.

In general, the provision of microfinance has come a long way in recognizing those products and services needed by the poor, such as access to lump sums of money, regular and small amounts of repayment, the importance of providing incentives, and the value of sustainability. However, it remains weak in the design of high quality new products that ensure the sustainability of the institutions, while prioritizing in-depth outreach to the poor.

## **2.6 Building Criteria for the Evaluation of a Microfinance Project**

In attempting to answer my research question: *what is the effect of microfinance on poverty?* I have decided to determine, through a case study, the effect that a small poverty oriented project would have on its beneficiaries. After analyzing the literature and debates on microfinance and poverty, I am able to establish criteria for evaluating the effects of a microfinance project. These criteria are tools to determine whether the activities and outcomes of the project are desirable or not, i.e. whether they are positive or not. Therefore these criteria are parameters to measure success.

I have based my criteria on three main ideas. Firstly, on the idea that poverty is beyond material deprivation, that it entails aspects such as participation, access to services, choices and social and economic vulnerability. In this sense, I am basing my criteria on the capability and social exclusion approaches to poverty, in addition to economic well-being. Secondly, I base my criteria on Woller's idea that for microfinance to be truly effective it needs not only to *reach* the poorest of the poor but also to offer them services that may be more useful to them such as savings. Finally, I draw some elements from Schreiner's framework of outreach, based on six aspects: worth to users, costs to users, depth, breadth, length and scope. The following are my criteria.

### **2.6.1 Does it Meet the Demand of the Participants?**

Any development endeavour must have a demonstrated need for its service, in the same way that any commercial endeavour must have a demand for its product. From the

analysis of the literature and the context in which Bolivian microfinance flourished,<sup>18</sup> it can be said that there is a large need in the country for microfinance services. However, this does not mean that the demand for certain *types* of microfinance is being met. According to several authors, there is a demand for savings services that is just as high as the demand for credit services (Rhyne, 2001; Matin, Hulme & Rutherford, 2002; Woller, 2002). Therefore, in order for a microfinance project to be effective it needs to provide savings services as well as credit.

However, the difference between a development endeavour and a business, is that the provision of services needs to be done at the lowest possible cost to users. Therefore, whereas in a business practice the product will be offered at market prices, a development project, and in this case a microfinance project, will offer its products at below-the-market prices. This means that another measure of the effectiveness of a microfinance project is how affordable its credit and savings services are.

#### 2.6.2 Does it Target the Poorest of the Poor?

After reading the literature one can say that microfinance rarely reaches the poorest of the poor and that in those cases where it does reach the poorest, it does not have a positive impact on this group of participants. Authors such as Woller argue that this is so because microfinance does not provide the types of services wanted by the ultra-poor; services such as savings, non-cash loans, legal aid, small enterprise training and

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<sup>18</sup> Explored in detail in Chapter 4.

support, etc. An effective microfinance project will not only target the less poor, which have been proven to benefit the most from microcredit (Hulme & Mosley, 1996), but will also target the poorest of the poor offering the services they want. In this sense, it will have a two-prong strategy: credit plus savings for the less poor, and savings, non-cash services and some credit for the poorest of the poor.

### 2.6.3 Does it Empower Women?

This has been one of the most contested issues in microfinance. The problem is that different authors have different criteria and definitions for empowerment. To some it means access to resources as the result of an increase in income (Mizan, 1994), while for others it means control of the loan (Goetz & Sen G., 1996) and yet for others it means decision-making power (Mayoux, 1995). My own criteria for empowerment entail: control, information, participation, income generation and access to support services. An effective microfinance project will empower women in that it will: ensure that women control most or all of their loans; train women in social and economic aspects such as family violence, nutrition, accounting, community leadership, etc; encourage women to participate in their neighbourhoods and communities; support women's microenterprises to ensure income generation; and, provide support in the form of a safe and comfortable space where women can discuss issues important to them and develop networks and strategies.

#### 2.6.4 Does it Enhance the Capacity to Lead Social Change?

Credit is not a panacea for development, it is but one of the many tools that form part of a larger strategy for social change. Any microfinance institution that focuses only on the provision of financial services does not carry out development work. Development institutions need to define their own identity and purpose and share these with their participants. This should be an ongoing process in which the participants also shape the philosophy of the institution. An effective microfinance project will hold a holistic view of credit that will incorporate capacity building through the provision of support services such as legal aid, business, leadership, and health training, as well as through macro economic and social studies that will provide access to information to the participants. It will also support the group process through an emphasis on solidarity credit (group lending).

#### 2.6.5 Does it Increase Income and Reduce other Aspects of Poverty?

As a poverty reduction tool, microfinance should have a demonstrated positive impact on the level of poverty of those it targets. A successful microfinance project will increase the income of its participants by an amount significant to the household, or at least an amount greater than the costs of having a loan. In the same way, an effective microfinance project will help to improve, directly or indirectly, other aspects of its borrowers' poverty such as literacy, malnutrition, access to health and education and social exclusion. A project that delivers just credit will have a very limited or no effect

on these aspects; therefore, a holistic approach that integrates empowerment, training, participation, and social change, is needed for the real reduction of poverty.

#### 2.6.6 Is it a Long-Term Project?

There is very little value in a microfinance project that has a short-term life span. Being a short-term project runs counter to a good lending methodology, but most importantly, it denies an appropriate sustainable service to each of its borrowers such as long-term training and support services. An effective microfinance project needs to have a long-term vision and a strategic plan with clear objectives. It also needs to be financially stable. I would like to clarify here that being financially stable does not mean being financially self-sufficient. Schreiner sees profits as the best proxy for *length*, because they signal the ability of the institution to survive in the future. However, I disagree with his view in that I believe that a strong donor base and relationship can also be a proxy for *length*. In the same manner, a credit program that produces some revenue, even if it is donor supported, can be financially stable.

In short, meeting beneficiary demand, reaching the ultra poor, empowering women, reducing poverty, being socially driven and having a long-term vision, are the six characteristics of a successful and effective microfinance project. I do not expect the project I will evaluate to meet all six criteria. Instead, my evaluation focuses on an overall assessment of the project in relation to these guidelines.

## **2.7 Conclusion**

An overview of the debates in microfinance helps build an understanding of the major issues within the field, but it also leads to further questions. For example: what is the *real* effect of microfinance on the people it targets? In order to answer this question I have designed some criteria based on the literature. In the next two chapters I will provide some further information that will help to place my study within the larger context of microfinance in Bolivia. I will then attempt to answer the above question and hopefully contribute somewhat to the vast literature reviewed and analyzed in this chapter.

### **Chapter 3**

## **THE BOLIVIAN CONTEXT**

### **3.1 Introduction**

“Bolivia is the Tibet of the Americas” (Swaney, 2001:13). It is the highest, most isolated and most traditional nation of the continent. It is a landlocked country in the heart of the Altiplano (the South American High Plateau) with a population of 8.5 million that is 50% of pure Indian ascendance (INE, 2001). Bolivia is the centre stage of my research and therefore I aim in this chapter to paint a coherent picture of the history, politics and society of this country.

I will begin with an overview of the political, economic and social history of Bolivia since the Chaco War, giving a short review of the current situation of the country. I will then explore some data on the poverty of the nation, and finally, I will look at the city of Potosí, which is where I have conducted my fieldwork.

### **3.2 Overview of The Bolivian Political, Economic and Social landscape since the 30s**

Between 1862 and 1932, Bolivia had lost half of its territory, including its only outlet to the sea, to Chile, Peru, Brazil and Argentina (Dawson & Fielding, eds., 2003:326). However, the Chaco War (1932-1935) against Paraguay- a dispute spearheaded by Shell (which backed Paraguay) and Standard Oil (which supported Bolivia) over oil concessions, marked a turning point in the history of the small

landlocked country. In addition to the land losses, Bolivia's loss of 65,000 young men discredited the traditional ruling elites and stirred up political awareness among the indigenous peoples (Swaney, 2001:19). These conflicting ideologies and the emergence of new demands by the *cholos*<sup>19</sup> in the next 20 years led to the 1952 revolution that changed Bolivian politics.

This mobilization played an important role in the political radicalization of the population. It was around this time that the now well-known Bolivian party, *Movimiento Nacionalista Revolucionario* (MNR, National Revolutionary Movement) was formed (Ibid:20). In 1951 the MNR presidential candidate, Víctor Paz Estenssoro, won the elections but was not recognized by the ruling government and elites who, instead, gave power to a military junta. A revolution against the coup broke out in 1952 led by the tin miners and backed by the peasants, resulting in the first revolutionary government in Bolivia led by Estenssoro (Van Linder & Verkoren, 1994:18). His government undertook a series of reforms, which are still influencing Bolivia's socio-political make-up (Sanabria, 1999:537). Firstly, the old voting system, which excluded the majority of the population on the grounds of income and literacy, was transformed into universal suffrage for men and women alike. Secondly, large privately owned mines were nationalized and incorporated into the state-owned mining corporation COMIBOL (*Corporación Minera Boliviana*, Bolivian Mining Corporation) (Sanabria, Ibid). Thirdly, the government implemented the Agrarian Reform of 1953, which eliminated the feudal

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<sup>19</sup> "Indigenous people who dress traditionally but live in larger cities" (Swaney, 2001:20)

relationships of rural Bolivia, expropriating large *haciendas*, and giving the peasants the right to own the land. Finally, Paz Estenssoro began a large programme for the development of a large private agricultural sector in the *Oriente* area (Van Linder & Verkoren, 1994:19).

Some of these changes, such as universal suffrage led to a real emancipation of the Indian population (Dawson & Fielding, eds., 2003:326). In addition to these measures, the government eliminated old decrees that discriminated against the *indígenas*, and instituted several laws that exulted the indigenous culture. These were times of massive social re-organization, as many indigenous people immigrated to the cities in spite of the agrarian reform. Miners, peasants and urban workers joined in together to form a powerful trade union organization called the COB (*Central Obrera Boliviana*, Bolivian Workers Federation). This organization originally worked very closely with the MNR, however the two organizations later on went on their separate ways (as the MNR moved to the right) (Van Linder & Verkoren, 1994:19). To this date, the COB still remains an incredibly strong and effective force in representing, channeling and articulating the demands of the Bolivian people.

1956 saw a change in the government to the centrist Siles Zuazo, since the Bolivian Constitution did not allow Paz Estenssoro to carry out two consecutive periods in office (Ibid). Zuazo's term was hit by the decline in the world market price for tin, Bolivia's main export (and therefore, most important source of foreign currency), and a rising inflation (Conaghan et al., 1994). He was forced to accept an IMF bailout to

'stabilize' the country's economy. As with all IFM stabilization packages, the hardest hit were the Bolivian working class, particularly the miners and the self-employed in the urban areas (Conaghan, 1994:245). Labour militancy increased and so did the government's build up of a military force that could contain any social unrest if it needed to.

The next eight years saw a weakening of the MNR as a party as a strong division between its right and left wings, as well as its peasant and miner factions, became irreconcilable (Van Linder & Verkoren, 1994:19). The growing antagonism between peasants and miners fuelled an allegiance between the former and the military; this support proved to endure for various military regimes. In 1964, the armed forces took over the government, and from then on until 1980, myriads of coups d'état, overruled elections, and many short-lived military dictatorships characterized the politics of Bolivia (Dawson & Fielding, 2003:326). Not all military regimes were alike, they ranged from authoritarian and repressive to populist. Colonel Hugo Banzer Suárez' 7-year long regime (1971 to 1978) stands out as one of Bolivia's most authoritarian dictatorships (Swaney, 2001:20). During this term, tens of thousands of Bolivians were imprisoned or went into exile. Banzer's neo-liberal regime opened up Bolivia's doors to foreign capital and US interests; this and the higher prices for tin allowed for relative economic stability but left the country with the legacy of an incredibly high foreign debt (triple its amount from 1971) (Linder & Verkoren, 1994:20). The last of the military dictatorships was that of commander Luis García Meza (1980-1981). His reign of authoritarianism and

violation of human rights was more violanted than Bolivia had ever seen. García Meza and his friends amassed large fortunes through the trafficking of coca and cocaine, which did not sit well with the US and other countries. International and national pressure finally brought down the last dictator of Bolivia (Ibid).

The 1980s proved to be a decade of profound change in Bolivia. The reinstitution of democracy, freedom of speech and civil liberties led to the revival of social movements and popular participation, while old traditional political parties weakened. The 80s were also, as with the rest of Latin America, witness to the sharp restructuring of the Bolivian economy and the harsh impact of SAPs for the peasantry and workers of the country (Sanabria, 1999:537).

Siles Zuazo became, once again, the president of Bolivia in 1982. However, this time his popularity declined sharply as he inherited a bankrupt economy ridden with hyperinflation, low world prices for tin, and a huge and increasing foreign debt. Protests, roadblocks, strikes and demonstrations were more alive than ever in the country as Bolivian's living conditions sharply deteriorated and people's purchasing power decreased by 46% (Van Linder & Verkoren, 1994:28). The consequence of this was the withdrawal in 1981 of the World Bank and the IMF, negative growth for the next six consecutive years, a public sector budget deficit of 21% in 1984, and a hyperinflation that reached 24,000% in August 1985, due to the government's effort to finance the budget through the printing of money (Mosley, 2001:103). Victor Paz Estenssoro, who had become president again in 1985, decided that in order to rescue the country's economy he

would have to implement drastic measures that would further affect the general population. He sought out economist Jeffrey Sachs<sup>20</sup>, who gladly took on the opportunity to experiment with radical shock therapy. This therapy was called *La Nueva Política Económica* (New Economic Policy) and was implemented in 1985, reducing the government sector (in particular those who worked in it), cutting government subsidies, and closing the low-yielding mines of COMIBOL (firing thousands of miners who then moved to large cities such as La Paz, Santa Cruz, El Alto, Cochabamba, Potosí and the coca regions), and making Bolivia the star-child of neo liberalism (Conaghan & Malloy, 1994:124). The government also set out to sell its oil and gas companies as well as more than 150 state-owned companies.

Two decades later, while macro-economic stability has been achieved, growth (albeit slow) taken place since 1987, inflation cut to levels lower than in Canada, and the debt greatly reduced, the results of this macro economic policy are quite negative for wage labourers, petty commodity producers and peasants, in that living standards have been deeply eroded through massive unemployment, wages freezes and cutbacks in subsidies (Sanabria, 1999:538-539). Structural adjustment hit hard, and of course, it hit the poorest the hardest.

In 1993, Gonzalo Sánchez de Lozada, from the MNR won presidential elections and initiated his *capitalización* program to continue the sale of oil, mining, telecommunications, transportation, electricity and gas state owned-companies (Swaney,

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<sup>20</sup> American economist Sachs has been an economic advisor in Latin American, Eastern European Countries, and for the United Nations and the World Bank.

2001:23). Overseas investors in formerly state-owned companies received practically half (49%) of the equity, total voting control, and profits. The other 51% of the shares were distributed to Bolivians as pensions through a program called *Participación Popular*, which would, in theory, “channel spending money away from cities and into rural municipalities, to be used for schools, clinics and other local infrastructure” (Ibid: 23-24). This ‘capitalization’ was strongly opposed by workers, coca leaf farmers and other segments of society, prompting frequent unrest from 1994 through 1996 (Sanabria, 1999:539).

Colonel Banzer came back to the presidency in 1997. This time he committed himself to eradicate all illegal coca cultivation and narcotics trafficking by the year 2002. Like in the past, Banzer’s strategy, called the “Dignity Plan”, was financially supported by the US (Swaney, 2001:23). This plan led to an exponential increase of violence in the coca producing areas of the country between the coca leaf farmers and antinarcotic US military personnel and the Bolivian police (Ibid). Massive social discontent ensued with Banzer’s war on drugs, widespread police and government corruption, and a serious nation-wide water shortage, leading to increasing numbers of public protests, from large blockades due to soaring gas prices to the February 2000 Cochabamba’s famous revolt over water privatization “considered by some analysts as this century’s first war over water” (Schultz, 2003).

### 3.3 Bolivia Today<sup>21</sup>

On October 17 of 2003, president Gonzalo Sánchez de Lozada, who had been sworn in office a year earlier, resigned the presidency of the country and fled to Miami. His resignation was the direct result of a nation wide protest begun in September that opposed tax increases and Sánchez de Lozada's support of a \$5 billion plan by a foreign consortium (the British company Pacific LNG) to export natural gas through Chile and Mexico to California. This plan ran against the population's deep anti-Chilean sentiments – the direct result of being 'robbed' of their only access to the sea by the former in 1879. In addition to this, Bolivians believed that the government's long standing track record of corrupt practices would lead all the proceeds from the sale to the pockets of Lozada and his friends. However, the plan to export gas was only the spark that ignited a population already frustrated with the deep social inequalities rooted in race and ethnicity, and an "uninterested and incompetent government" (Schultz, 2003).

Bolivians are known for their ability to massively organize and protest. The water war of Cochabamba of 2000, mentioned earlier, was a successful example of mass mobilization against the privatization of water. Under pressure from the IMF, the government gave a 40-year cheap lease to the Californian company Bechtel. "Within weeks of taking over the water, Bechtel imposed huge increases on water rates. This triggered a regional uprising that kicked Bechtel out of the country" (Ibid). Ten people were killed by the army and over fourty were injured. In February 2003, Bolivians united again to oppose a tax

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<sup>21</sup> Based on my own observations of the events taking place in the country while I was there.

increase (part of an IMF package). After fierce confrontations between the protesters and the army, who killed thirty two people, the tax increase was halted. The gas revolt of October 2003 became the third time that Bolivians, at a great loss of 80 lives, won their battle. At the time of writing, after three months of Sánchez de Lozada's resignation, relative calmness has returned to the country. The current president, former vice-president and a journalist by trade, Carlos Mesa Gisbert, seems committed to recover democracy through peaceful means. Mesa faces a three-month deadline set by the leaders of the opposition; this deadline expires at the end of January. Although stability has returned to the country there is a great sense of expectation as it is impossible to tell what will unfold.

### **3.4 Poverty in Bolivia**

Bolivia is one of the poorest countries in Latin America, and the poorest in South America. In 1999, Bolivia's Human Development Index was 0.648, well below the Latin American average of 0.760, only surpassed by Nicaragua, Honduras, Guatemala and Haiti (UNDP, 1999). Although this index has increased to 0.653 in 2000, Bolivia's HDI rank is still very low at 114 (UNDP, 2002).

The percentage of Bolivians living under the poverty line is 58.6%.<sup>22</sup> As a point of reference, neighboring Chile's percentage is 20.1% (Ibid). 41.6% of the population in

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<sup>22</sup> This number increases to 95% in the rural areas (Rivas et al.,1998:4)

Bolivia is considered to live in chronic poverty (Ibid).<sup>23</sup> As can be seen in the table below, Bolivia's rate of poverty has been steadily declining, although NGOs and independent economists claim that these statistics are too optimistic and do not paint an accurate picture of poverty in the country (Campos, 1999).

Table 3.1. *Trend in the Percentage of Bolivians Living Under the Poverty Line*

	<b>1976</b>	<b>1992</b>	<b>2001</b>
	85.5%	70.9%	58.6%

Source: Instituto Nacional de Estadística (INE), 2001

The following table is a comparison of some poverty indicators between Bolivia and the Latin American average:

Table 3.2. *Bolivian Poverty Indicators compared to Latin American Average 2001*

<b>Indicator</b>	<b>Latin America</b>	<b>Bolivia</b>
Life Expectancy (years)	70.5	63.1
Infant Mortality Rate (per 1,000 live births)	28.0	60.0
Under 5 Mortality Rate (per 1,000 children)	34.4	77.0
Illiteracy Total (% age 15 and above)	10.8	14.0
Illiteracy female (% of age 15 and above)	11.8	20.1
GNI per capita, Atlas method (current US\$)	3,555.0	950

Source: World Bank Group, Website, [www.worldbank.org](http://www.worldbank.org), accessed January 2, 2004

<sup>23</sup> Chronic poverty is defined by David Hulme as those who have experienced poverty for long periods of time, or perhaps all of their lives (Hulme, 2003:404).

The structural adjustment that has taken place in the past 20 years has deeply affected the livelihoods and coping strategies of the poor. Macroeconomic gains have come at the expense of the dislocation of the majority of the population, as the state's role in the economy has been reduced and massive industrial closures have taken place (Agadjanian, 2002:259). It is estimated that over 50,000 people have lost their jobs as the result of privatization in the past 20 years (Campos, 1999). This has led to the most notorious consequence of SAPs in the country: the rapid increase of the informal sector. This sector was already predominant in the country, but with massive lay-offs in the formal sector and an increase in unemployment, the informal sector absorbed large numbers of Bolivian men and women. Today, 63% of Bolivia's labor force works in the informal sector, the majority being women. This makes Bolivia the Latin American country with the largest informal sector.<sup>24</sup>

Table 3.3. *Informal Employment in Non-Agricultural Employment, by Sex 2000*

<b>Country Ranked</b>	<b>Informal Employment as % of Non- Agricultural Employment</b>	<b>Women's Informal Employment as % of Non-Agricultural Employment</b>	<b>Men's Informal Employment as % of Non-Agricultural Employment</b>
Bolivia	63	74	55
Brazil	60	67	55
Honduras	58	65	74
El Salvador	57	69	46
Guatemala	56	69	47
Mexico	55	55	54
Dominican Republic	48	50	47
Venezuela	47	47	47
Costa Rica	44	48	42
Colombia	38	44	34
Chile	36	44	31

Source: Jacques Charmes, ILO, 2002

<sup>24</sup> Authors such as Charmes (1998), Sethuraman (1998) and Alter Chen (2002) have empirically proved a relationship between being poor, working in the informal sector and being a woman. It is not surprising then to see how Bolivia, being one of the poorest countries in Latin America, also has the largest informal sector, of which most labourers are women.

### 3.5 Potosí

With indicators close to those of Sub-Saharan countries, the department of Potosí, located in the southern region of the country, is the poorest department of Bolivia (INE, 2001) with an annual per capita income of \$236 US (FONCRESOL, 2003).

Table 3.4. *Trend in the Percentage of Potosinos Living Under the Poverty Line compared to the Bolivian Average*

	1976	1992	2001
Bolivia	85.5%	70.9%	58.6%
Potosi	92.8%	80.5%	79.7%

Source: *Instituto Nacional de Estadística (INE), 2001*

UNESCO World Heritage Site Potosí, the department's capital, is the poorest city of the country. Located at 4,090 meters above sea level, Potosí is also the highest city in the world. It has a total of 140,000 inhabitants, 80% of which live in poverty.

Four hundred years ago, Potosí was the wealthiest and largest city in Latin America. Its riches flowed from a mountain of silver, Cerro Rico, which crowns the city. "Silver from Potosí underwrote the Spanish economy – and its monarchs' extravagance – for over two centuries." (Swaney, 2001:362). Today, an air of melancholy fills the city as remnants of a grand colonial past are found every couple of blocks. Cerro Rico's silver has been nearly depleted, making tin and lesser minerals the new drivers of the slow recovery of the local economy.

The Municipal District No. 12 of the City of Potosí is the area in which I carried out the fieldwork for my research. It is the poorest district of the city with a per capita income of less than \$730 USD per year (much lower than the national average of \$950 USD).<sup>25</sup> Located on the Northwest side of Potosí, it is considered a *peri-urban* area as it is located on the outskirts or periphery of the city. It began to grow quickly after the implementation of the 1985 New Economic Policy, to a total of 6,000 people, 50.2% of which are women and 49.8% men (INE, 2001). It is a young population with an average age of 25 years old. 53% of the District's inhabitants are immigrants from the rural areas who came to Potosí in search for jobs. However, Potosí's economy has not been able to provide employment for this influx of peasants. Therefore, the inhabitants of the District No. 12, like the majority of *Potosinos* and Bolivians, work in the informal sector (in particular women) in commercial activities such as petty trade in fairs and markets, street vending, maid work, laundry washing, small shop keeping, etc.

In Chapter 5 I will take a closer look at the conditions and livelihoods of the people of this district.

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<sup>25</sup> However, it can be seen that this average is much higher than the average of the department (\$236 US) which includes the rural population.

### **3.6 Conclusion**

Bolivia is a small, isolated and poor country with a complex history and a strong tradition of social mobilization against oppressive regimes. 60% of its people live in poverty and drive the economy's largest segment: the informal sector. Within the poorest country of South America, Potosí is its poorest city. Once the largest city of the Americas and an important commercial centre, Potosí now struggles to recover its economy after the depletion of its silver supplies.

Against this backdrop, microfinance has developed widely in the country, including Potosí, leading us to ask: what particular conditions does this small landlocked country have that have led to this phenomenon? The next chapter will attempt to answer this question.

**Chapter 4**  
**EVOLUTION, CHARACTERISTICS AND IMPACT OF MICROFINANCE IN**  
**BOLIVIA**

**4.1 Introduction**

Before 1985, the Bolivian banking sector was characterized by its inefficiency and its inability (or unwillingness) to reach smaller borrowers as these represented high-risk projects. The SAPs of 1985 led directly to the collapse of the already weakened Bolivian financial institutions since good borrowers were unable to re-pay their loans. This collapse in the formal banking sector, together with the high urban population density, deregulated interest rates and growing economy of the late 1980s were the conditions that led to the emergence of the microfinance industry (Hulme, 2001:105).

Since then, microfinance in Bolivia has advanced the fastest and farthest from any other country. In doing so, Bolivia has been a test ground in the field. First, the country created a microfinance industry, encompassed by many (some argue *too* many) well-functioning institutions – this industry is now extremely complex, consisting of 35 MFIs, with over 260,000 borrowers and a portfolio of almost \$300 million (6% of the national total). Second, the Bolivian example is *the* case-sample for the self-sustainability approach to microfinance. This approach, as explained earlier, sees that microfinance should be provided solely on a fully commercial basis.

In this chapter, I seek to describe at some length the characterizing features of microfinance in the country. I will do this in two ways. First, I will provide an overview

of the development of microfinance in Bolivia, as well as the type of organizations that now exist and a brief review of the 1999-2001 microfinance crisis. Secondly, I will explore two influential studies carried out in Bolivia to determine the effects of microfinance on poverty in the country.

#### **4.2 The Microfinance Landscape of Bolivia**

Bolivia began experimenting with microcredit as early as the 1950s through credit unions, rural revolving funds, and village banks. However, it was not until the 80s that Bolivia's poor began to be regarded by financial institutions as viable borrowers. The relevance of the Bolivian case is that it has become *the* star-child of the self-sustainability approach to microfinance. As explored in the literature review, this model views financial support from government and international agencies, as temporary, as it is interested in drawing profits from the market. The main expression of this model is the transformation of NGOs into formal financial institutions. This 'commercialization' has become so widespread that microfinance in Bolivia has become an industry as opposed to a donor-driven initiative.

The transformation of PRODEM into Banco Solidario (BancoSol) – the single largest provider of microfinance services and until recently the most profitable bank in Bolivia<sup>26</sup> – led many other NGOs to imitate this process.<sup>27</sup> The Bolivian government has

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<sup>26</sup> For more information on BancoSol, refer to the section 2.2.1 "The Big Players in Microfinance" in Chapter 2

<sup>27</sup> Mainstream banks, in particular Banco Económico, have also followed on the footsteps of BancoSol by providing some microfinance services.

heavily regulated the transformations through the creation of a special category of institutions: *Fondos Financieros Privados* (Private Financial Funds) (FFPs), which I will describe below. However, NGOs, in their traditional form, still play a role in the microfinance fora of Bolivia. The only two large microfinance NGOs are ProMujer and Crecer, the rest of the NGOs are very new and small and most aspire to become FFPs. ProMujer and Crecer are village banking programs that aim to reach the poorest possible borrowers, specifically women. They follow the poverty approach to microfinance, offering other services in addition to financial ones, such as training on nutrition and health, and working towards the empowerment of women. Another category of microfinance institutions that is worth mentioning is that of the credit cooperatives, which, much like credit unions, include both small localized institutions as well as large, sophisticated organizations based mainly in the eastern area of the country.

Although the self-sustainability approach is the mainstream, there are a myriad of technologies and methodologies used within Bolivian microfinance that represent both the poverty and self-sustainability approaches. Just to mention a few, MFIs in Bolivia represent examples of:

“individual lending, solidarity (small) and co-operative (large) group lending; targeted and untargeted loan operations; voluntary and compulsory savings; mission-based and heavily secular organizations; ‘minimalist’ (credit only) and loans blended with business training or with complementary technical assistance in the health, education, extension or research areas; and infinite varieties of loan size, repayment periods and incentives to repay” (Mosley 2001: 108).

### **4.3 Fondos Financieros Privados (Private Financial Funds – FFPs)**

*Fondos Financieros Privados* (FFPs) are an exclusive Bolivian phenomenon. FFPs, as a category, were created in 1994 by the Bolivian government in response to the desire of NGOs to become commercial within the microfinance industry. Bolivian microfinance NGOs grew so quickly that they soon came to realize the limitations of being a donor-funded non-profit-organization. Not only were the donor agencies not prepared to hand out large amounts of funds, they were also slow and bureaucratic. NGOs wanted fast, easy flowing credit that they could make available to borrowers at all times, but most importantly, they wanted independence from funding agencies, self-reliance and autonomy. Thus, a changeover began in the structure of these NGOs. NGOs in their conventional form have no owners with capital at risk. Because they lack owners, their accountability is not as high as a company or commercial organization, therefore, they are not allowed to accept deposits or participate in money markets (i.e. they cannot be part of mainstream financial markets). Bolivian NGOs used some or all of their capital to purchase shares in newly created financial institutions, making themselves the main owners, among others, of these institutions. The new financial institutions were licensed by the banking authorities to “accept deposits from the public and ... to raise funds in money and capital markets. The NGOs’ staff, operations, and loan portfolio...move[d]...to the new institution, leaving the NGOs as owners/investors” (Rhyne, 2001: 106). In theory, this would mean that the NGOs were also able to carry out other development activities, because they had more assets to do so, or at least to

back them up. This process of commercialization continued on as more and more NGOs transformed themselves into FFPs. This progression began to be known in the worldwide microfinance sphere as the Bolivian Model and began to be copied in countries such as Kenya, Senegal, Uganda, Ecuador, Peru, Dominican Republic and Cambodia, showing a demonstrated shift towards market-driven microfinance within the sector.

So, what are FFPs? FFPs are formal *for profit* financial institutions whose minimum capital requirements are lower than those of the commercial banks, and who cannot provide other services that banks provide such as current accounts or foreign exchange services. FFPs are not owned by private investors, but owned by NGOs. Some authors such as Rhyne and Drake argue that the NGOs in these cases are led by people who are deeply committed to microcredit as a social project, and that although there are always expectations for these institutions to become profitable, ‘investors’ take a very high risk of losing their cash, and most view this up-front contribution more as a donation rather than as an investment per se (Drake & Rhyne, 2002). Moreover, the authors believe that the process of transformation of these NGOs was highly regulated by government authorities to ensure that the NGOs did not have sole ownership of the institutions (and therefore sole control), but that there were a variety of people involved that could place checks and balances on the NGOs (Rhyne, 2001). However, authors such as Schreiner are more skeptical. When describing PRODEM’s transformation into BancoSol, Schreiner explains, “Managers with experience in big, impersonal banks slowly replaced many of the visionaries and social workers who had founded PRODEM.

With most growth financed with loans and deposits from private sources, the cost of liabilities rose.” (Schreiner, 2002: 597).

It is clear that FFPs in Bolivia are not corporations, however, they are not altruistic organizations either: they want to make a profit. This search for profit may lead FFPs to decrease the depth of their services.<sup>28</sup> However, in the end, profits are re-channeled back into the FFPs for their own functioning and for the provision of more loans. The fact that there is a widespread commercialization of NGOs in Bolivia is not necessarily in itself a negative phenomenon. However, it is important to determine the effectiveness of these in meeting and satisfying consumer demand and reducing poverty.

#### **4.4 Crisis in Bolivian Microfinance**

In the late 1990s almost anyone in Bolivia who wanted a loan could have one. Competition in the country among microfinance providers had become fierce as the microfinance institutions expanded, new microfinance entrants appeared and new non-microfinance institutions such as consumer lenders joined in. This saturation of the market caused a serious problem of over-lending (and therefore over-indebtedness), falling profits and high rates of default. This, together with the 1999 economic recession in the country, which began in Brazil and expanded throughout Latin America and the rest of the world, created a general crisis in microfinance that continued throughout 2001. 1999 was a turbulent year in Bolivia as it suffered from the biggest economic setbacks in

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<sup>28</sup> As explained earlier, I use Schreiner’s Theory of Outreach. For a refresher on depth see the section “A Framework for Outreach” in Chapter 1

fifteen years (Rhyne, 2000:123). As the deep recession struck, the informal sector was hit especially hard, in particular, textile producers and other trading entrepreneurs who saw their markets dry up. In the year 2000, Bolivians began protesting the lack of basic social services, such as water and electricity. Social unrest took place within the microfinance sector as borrowers were unable to pay their loans. This led to a 'debtors revolt' in 2001, in which members of debtors' associations protested against MFIs and their loan collection methods and sought full forgiveness of their loans.

The 1999-2001 crisis left the legacy of a weakened microfinance sector in the country. It stopped the growth in numbers of borrowers, it led to the highest default rates in the history of microfinance in the country, and it caused a sharp and profound fall in profits. During 1999 and 2000 none of the MFIs grew, BancoSol lost 25% of its borrowers and PRODEM 45% (Rhyne, 2002:126).

Three years later, the economy has somewhat recovered from both the Brazilian and Argentine economic crises.<sup>29</sup> Both the mainstream financial and microfinance systems have shrunk, reducing over-competition and over-lending. It is hard to predict in which direction microfinance is heading in the country, but although the 1999-2001 crisis was a 'wake up call' for the industry, it seems intent on continuing its expansion.

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<sup>29</sup> These neighbouring economies are among Bolivia's biggest trading partners.

## 4.5 Two Important Studies of Microfinance in Bolivia

The predominance of the microfinance industry can be seen and felt everywhere in Bolivia: on the streets large placards advertise 24 hour access to loans; modern FFPs have huge line-ups of *cholos* at their entrance waiting for a disbursement or approval of their loans; and TV and radio ads sell how easy it is to get a loan with no collateral. There is no doubt that microfinance is embedded in the economy and culture of Bolivia. But, is it doing what it professes? Is it reaching the poorest of the poor and reducing poverty? Very few studies have been carried out at an extensive level in the country. The two most influential and encompassing are those of Paul Mosley in 1999, and Sergio Navajas and a team from the Ohio School in 2000.

I believe that it is important, when reviewing the evolution of microfinance in Bolivia to also attempt to determine its level of impact in the country. Therefore, I have decided to include these studies in this section, with a brief discussion at the end that will hopefully ease the 'entry' of the reader into Chapter 5 – The Case Study.

### 4.5.1 Paul Mosley's study of Microfinance and Poverty in Bolivia

In his influential study *Microfinance and Poverty in Bolivia*, Mosley studied closely four well-performing MFIs, BancoSol, PRODEM, ProMujer, and SARTAWI.<sup>30</sup> BancoSol and PRODEM belong to the commercialized dominant mainstream Bolivian

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<sup>30</sup> SARTAWI is a special case in that although it is an NGO that follows the poverty approach, it is financially sustainable. Mosley categorizes it as a poverty approach organization while Navajas et al. place it closer to the self-sustainability approach.

model. ProMujer (the largest microfinance NGO) and SARTAWI work within the poverty approach. His methodology included both quantitative (questionnaires) and qualitative (focus groups and key informant interviews) research. His focus on qualitative research reflects his interest in finding out what the perceptions of poverty, risk and vulnerability were. Mosley discovered that all four institutions examined had a positive but limited impact on reducing poverty levels. Between 10% and 20% of the borrowers he studied crossed the poverty line<sup>31</sup> between 1993 and 1999 “as a consequence of microfinance, that is, they would have not crossed the poverty line in any case (Mosley, 2001: 115).<sup>32</sup> He also found that the two NGOs, ProMujer, and SARTAWI, had the deepest outreach of the four MFIs (the poorest borrowers) through their acceptance of very small savings deposits and their delivery of very small loans, as well as extending their outreach to the rural areas, therefore minimizing the barriers of entry for the poorest. However, in terms of income, Mosley found that neither the poverty nor the self-sustainable oriented MFIs had a bigger impact than the other (Mosley defines this impact as the number of people crossing the poverty line).

Mosley’s most important finding was that microfinance in Bolivia has been somewhat effective in lifting some people out of poverty (increasing the income of those just below the poverty line), but has not been successful in increasing the income of the extreme poor to above-poverty line figures. Mosley’s conclusion from this preliminary

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<sup>31</sup>Mosley used a poverty line of \$72/Bs 410

<sup>32</sup> None of the borrowers studied lived in extreme poverty before.

data is that microfinance organizations are relatively effective in helping the poor but not the poorest and that other forms of poverty alleviation need to be brought in.

#### 4.5.2 Navajas et al's Study on Microcredit and the Poorest of the Poor in Bolivia

The second study I will look at was carried out by Sergio Navajas and a team from the Ohio State University, which included Mark Schreiner, in 2000. They studied four self-sustainability approach MFIs that function in urban and rural La Paz, BancoSol, PRODEM, Centro de Fomento de Iniciativas Económicas (FIE) and Caja Los Andes, as well as one poverty oriented NGO, SARTAWI. They had three main research questions they set out to answer: 1) whether microfinance organizations reach the poorest of the poor; 2) whether group loans reach the poorest better than individual loans; and 3) whether rural lenders reach the poorest better than urban lenders. As their methodology, they compared the income of a sample of people who borrowed from the five lenders against the income of all the households in La Paz. This study is directly based on Schreiner's theoretical framework of Outreach, which, as mentioned in Chapter 1, "describes the social worth of a microfinance organization in terms of the depth, worth to users, cost to users, breadth, length, and scope of its output" (Navajas et al., 2000: 333).

The team found three main results: First, the organizations tended to serve not the poorest but those close to the poverty line. They derived from this finding that most microfinance institutions will "probably serve this same niche" (Navajas et al., 2000:344). Second, group lenders had deeper outreach than individual lenders. "In

general, group technologies have more potential for deep outreach since they substitute joint liability for physical collateral” (Ibid, 345). And third, rural lenders had deeper outreach than urban lenders because rural borrowers were most likely to be among the poorest.

This study does not offer one theory of why these five MFIs have these characteristics. Instead, it provides two alternative explanations:

“On the one hand, perhaps the drive for length [permanency] and breadth [large numbers of borrowers] is what prompted these lenders to grow and to have some depth. On the other hand, perhaps these lenders would have reached more of the poorest had they stayed small and unprofitable with a single-minded focus on depth” (Ibid).

In order to properly summarize and reconcile both studies we need to know the difference between *reach* and *impact*. To reach the poorest of the poor does not mean that there is an impact on poverty. To reach means to *include* people in the loan process (i.e. to offer a loan to someone and have that loan accepted by the person). In this sense, reaching the poorest of the poor means *offering* loans to the poorest of the poor and having those loans taken by them. It cannot be automatically assumed that making loans to the poorest of the poor will lift this group out of poverty. This is where *impact* comes in. Impact is the measure of the results of these loans. Therefore, it measures the final outcome of *reach*. Different authors have different definitions of impact, for example, Mosley defines it as the crossing of the poverty line by the participants of a microfinance program.

Although both studies focus on different aspects of microfinance, they both come to the conclusion that it does not reach the poorest of the poor in the country. Navajas et al's study proves that although MFIs' rural and group programs have more depth of outreach than urban and individual programs, neither focuses on the poorest of the poor but on those just below the poverty line (*reach*). Mosley's study is much broader in that it specifically compares MFIs from both the poverty and self-sustainability approaches. It argues that those MFIs within the poverty approach have more depth of outreach than those from the self-sustainability approach (*reach*). However, he also proves that both poverty MFIs and self-sustainability MFIs have the same impact on poverty of 10-20% of borrowers crossing the poverty line (*impact*). He does not provide an explanation for the fact that the poverty focused MFIs reach poorer people but do not have a bigger impact on poverty than the self-sustainable MFIs.

In summary, both studies support that microfinance in Bolivia has not been effective in increasing the income of the poorest of the poor and has only had a limited positive effect on the less poor. In the following chapter, I will look at a third study, my own. Although less extensive than Mosley's and Navajas' et al., it may provide evidence to support some of the things that they have argued.

## 4.6 Conclusion

The collapse of the formal banking sector in 1985, together with the high urban population density, deregulated interest rates and growing economy of the late 1980s led to the emergence of the Bolivian microfinance industry (Hulme, 2001:105), an industry that today has a portfolio of almost \$300 million US. The relevance of the Bolivian experience is that the country has become *the* star-child of the self-sustainability approach to microfinance through the commercialization of microfinance institutions. Few studies have sought to evaluate the real impact of microfinance on poverty in Bolivia, and those that have done so, have found that microfinance has had a very limited effect on poverty. The next chapter will explore in detail my own study.

## Chapter 5 CASE STUDY

### **5.1 Introduction**

This chapter is the heart of this document. It highlights the knowledge gained in 5 months of fieldwork, during which time I coordinated a study for a small Bolivian NGO called Pastoral Social (SEPAS) Potosí. SEPAS Potosí asked me to carry out an extensive baseline study of their microfinance activities. The organization lacked statistical information of their participants, and it hoped that with the information gathered by me, they would be able, in the future, to conduct an all-encompassing comparative impact study. In the meantime, they asked me to do a preliminary *evaluación de ajuste*, meaning an assessment of their activities and methodologies and the level of satisfaction of the participants with the microfinance project. The study was conducted successfully and a report produced (which is attached in the appendices). For my Applied Project Report, I will use this research and its findings to attempt to answer my research question. Below, I will provide some background information on the agencies involved, the microfinance project and the participants. I will then focus on the study and its findings.

## **5.2 The Project and How it Works**

### **5.2.1 The Agencies**

As mentioned above, I worked for five months in the evaluation of a project carried out by SEPAS Potosí. This project is jointly coordinated by SEPAS and another organization called FONCRESOL (Solidarity Credit Fund). The two organizations have formed what they call a 'strategic alliance' in which FONCRESOL provides funds and SEPAS administers these funds and carries out the project.

As can be seen in Chart 1, SEPAS Potosí and FONCRESOL Potosí, are both part of a larger network of organizations. The national umbrella organization that coordinates all activities within this network is CEPS-C (Comisión Episcopal de Pastoral Social – Cáritas), a church based organization. However, there is a great deal of autonomy of the organizations under the umbrella, and that is why SEPAS Potosí functions as its own small NGO. In the hierarchy of things, SEPAS Potosí is above FONCRESOL Potosí, but in the project I worked in, FONCRESOL Potosí provided the funding. It is a complex and interesting relationship and tensions are certain to be present.

SEPAS' Potosí has existed for more than twenty years. With an operating budget of \$425,000 USD<sup>33</sup> per year it works in four areas: 1) Children, through special projects that deal with street children and child labour; 2) The Elderly, through legal aid and empowerment projects; 3) Community Leaders, through training of these and support in their demands to the municipal government; and 4) Women, through microfinance.

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<sup>33</sup> SEPAS receives funding from the German NGO MESEREOR and the Canadian NGO Catholic Relief Services, as well as from the National Church organization CEPS-C.

SEPAS Potosí has a very progressive vision of development; in fact, it is the most progressive of the chapters of CEPS-C. As an institution it does not believe in *asistencialismo*, instead, it strives to provide the people with tools for their own betterment. Its fourteen staff are deeply committed to social action and work incredibly hard for their participants. There are few formalities in the office. I remember important meetings with funders or government representatives being interrupted to give legal aid to a farmer who had just arrived by foot from *el campo*; or a credit officer staying until 11pm with a group of women attempting to reconcile their accounting books. It was certainly inspiring to work in such an environment and it is the hope of this project to help the organization realize its full potential.

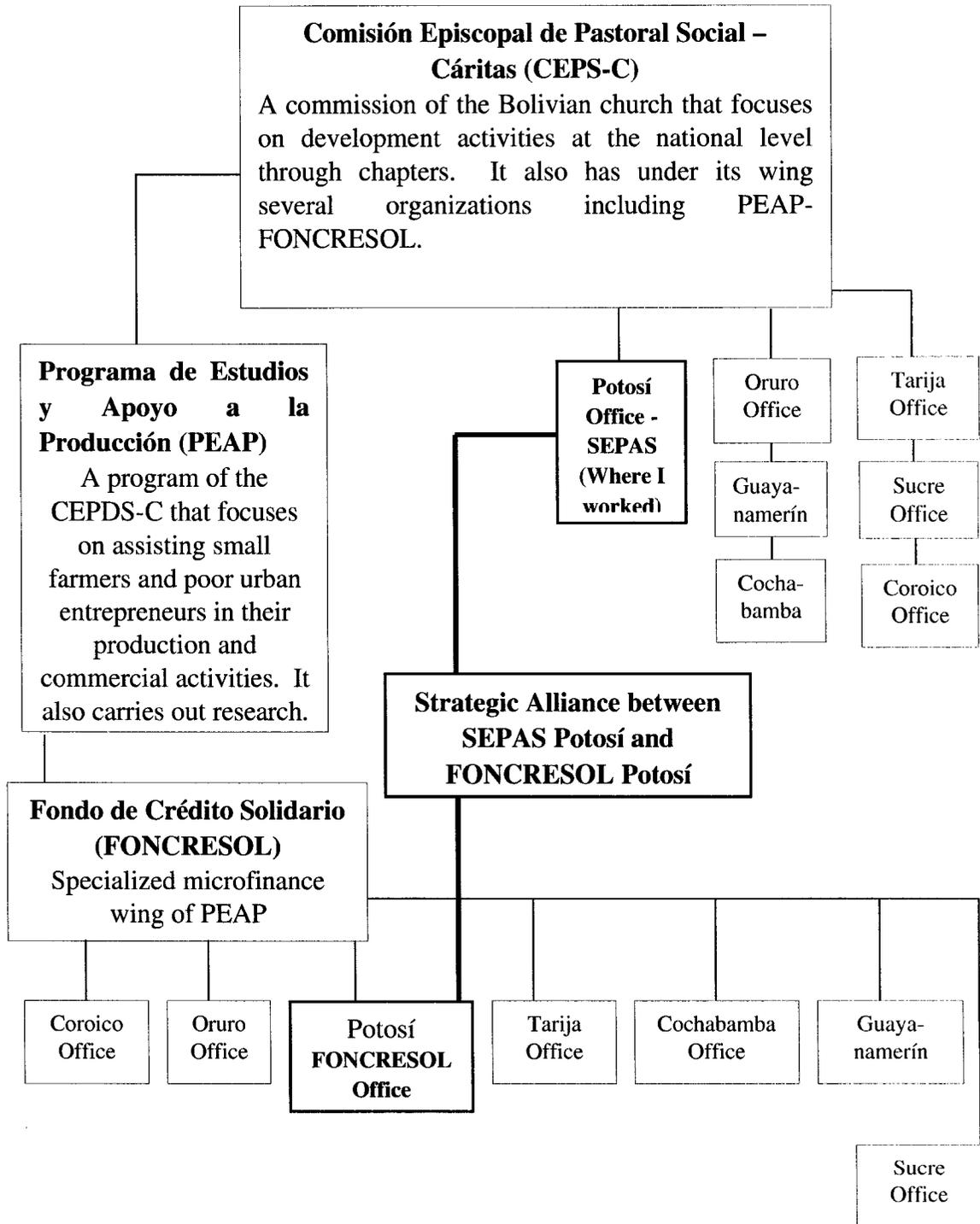
FONCRESOL, founded in 1997, provides micro credit to groups of small-scale producers, to individuals, associations and to women's groups. It has a total operating budget of over 2 million USD. FONCRESOL Potosí lends only to women's groups and has a small budget of approximately \$65,000 USD. FONCRESOL National (and therefore FONCRESOL Potosí) is clearly a microfinance institution that follows the self-sustainability approach. It has set the year 2006 as the target to become fully financially self-sufficient "...therefore, it will keep moving away from the poorest clients as it needs to improve its repayment rate."<sup>34</sup> Conversely, SEPAS works within the poverty approach: it is highly dependent on external funding, it has smaller operations, reaching less people but attempting to reach the poorest.

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<sup>34</sup> Informal interview with FONCRESOL National's accountant, January 2004.

Being a microfinance entity with a more financial and economic vision of development, FONCRESOL Potosí often criticizes SEPAS Potosí's approach. SEPAS sees microfinance as one of many tools for development; conversely, FONCRESOL sees it as the best possible intervention to reduce poverty. Luckily, within the conflicts that their different philosophies around microfinance may cause, these two organizations work surprisingly well together and hope to continue their partnership on a long-term basis.

Chart 5.1. Institutional Relationship between SEPAS and FONCRESOL



Source: Author's Own Research.

### 5.2.2 Project Details

In 1999, SEPAS Potosí and FONCRESOL Potosí came together to start a project called YANAPANAKU (“mutual help” in Quechua). FONCRESOL provided \$50,000 USD<sup>35</sup> plus a full-time credit officer.<sup>36</sup> SEPAS provided administration and delivery of the project plus two full-time credit officers. They called this partnership a ‘strategic alliance’ because SEPAS would receive financial support and FONCRESOL would gain experience that would allow it to add a social dimension to its lending programs.

The YANAPANAKU project administered by SEPAS is a microfinance program that targets women. It uses the technology of communal banks (which is explained in detail below), reaching out to approximately 300 *urban* women. Its general objective is:

- To improve the conditions of life and income of the poorest families of Potosí, and spearhead economic and productive activities.

Its specific objectives are:

- To increase the income and savings of organized groups of women, through the establishment of communal banks.
- To strengthen the capacity of organization and action of the women involved in the communal banks so that they can develop self-sustainable income generating activities.

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<sup>35</sup> This amount is loaned not donated to SEPAS Potosí, however it has been loaned under very relaxed terms (no interest and indefinite term to repay).

<sup>36</sup> This person is paid with the interest earned from the project.

Some of its expected outputs are:

- To consolidate and spread the methodology of communal banks as an economic alternative that will revitalize the local economy.
- To promote the creation of microenterprises.
- To train and empower the women involved in the communal banks in economic, social and organizational areas.

The rationale for the project is the following:

- Potosí is the poorest city of the country
- Most of the poor are women and their children
- Women are not integrated into the formal sector, therefore they carry out informal economic activities
- In order to develop their economic activities women need a small start-up capital, which they usually don't have

The program therefore, aims to break the cycle of low income, lack of savings and capital and poverty. It attempts to do this through the methodology of communal banks (*cajas comunales* or *cajas*). This is a model based on the experiences of a group of Bolivian, Peruvian and Salvadorean institutions. The emphasis of this model is on three aspects: 1) Flexibility; 2) Respect for the decision-making ability of the members; and 3) Replicability. A communal bank or *caja* is an organized group that makes available to its members loans on an individual basis with no collateral, guaranteed by their fellow

members. It is integrated by between 12 and 30 women who live in poverty and who carry out economic activities. These women are called *socias*, which means partners. A communal bank should offer four services:

- Credit to start and support profitable economic activities
- Incentives to save
- Support of women to elevate their self-esteem and empower themselves
- Training and capacity-building of its members

Each communal bank is considered a credit and savings organization, with the potential to become self-sustainable. The members elect their own board of directors, usually integrated by a president, a treasurer, a secretary and a member at large. The members themselves carry out their own bookkeeping and manage the income of their fundraising activities.

SEPAS Potosí administers 15 *cajas* following very closely the model described above. In 2000, SEPAS carried out an extensive recruiting campaign targeted to groups of women that already existed (mother groups, arts and crafts groups, political party groups, etc.). Three communal banks were formed then and since more joined as the word of the lending program spread in the *villas*<sup>37</sup>. Most groups now are between their 1<sup>st</sup> and 4<sup>th</sup> cycle. In addition to the loans, SEPAS communal banks carry out fundraising activities in order to save as a group. These savings are kept in the *cuenta interna* (internal account), which vary in size according to each group.

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<sup>37</sup> Neighbourhoods

Communal banks at SEPAS usually start with a capital that equals the amount of the first individual loan (600 Bs)<sup>38</sup> multiplied by the number of members as all *socias* receive simultaneous loans. Each *socia's* individual loan can be invested in her business or in her home/family. This loan is given again in the next cycle and is increased if: 1) all previous credit has been repaid; and 2) the rest of the members approve that loan.

The following is the lending process:

*Table 5.1. Lending Timeline of a SEPAS Communal Bank*

<b>Cycle<sup>39</sup></b>	<b>Length of Cycle</b>	<b>Amount loaned to Each <i>Socia</i><sup>40</sup></b>
1	6 months	Up to 600 Bs (\$77 USD)
2	6 months	Up to 900 Bs (\$115 USD)
3	8 months	Up to 1200 Bs (\$154 USD)
4	8 months	Up to 1500 Bs (\$192 USD)
5	10 months	Up to 1800 Bs (\$230 USD)
6	10 months	Up to 2100 Bs (\$ 269 USD)
7	12 months	Up to 2400 Bs (\$ 308 USD)
8	12 months	Up to 2700 Bs (\$346 USD)
9	12 months	No Credit. Support to the Communal Bank so it becomes Self-Sustainable

*Source:* Author's Own Research.

<sup>38</sup> One US dollar is equivalent to approximately 7.8 Bs.

<sup>39</sup> A cycle is the term of the loan

<sup>40</sup> This amount can vary a little according to each member

The following is a comparative table of aspects of the SEPAS methodology versus that of BancoSol, the largest microfinance institution in Bolivia:

*Table 5.2. Comparative Data on BancoSol's and SEPAS' Lending Programs*

	<b>BancoSol</b>	<b>SEPAS Potosí</b>
<b>Collection Method for Loan</b>	Fortnightly or monthly on bank premises	Monthly at group meeting in participants' neighbourhoods
<b>Borrower</b>	Individual within "Solidarity Group" of four to seven individuals	Individual within "Communal Banks" of 12 to 30 individuals
<b>Interest Rate</b>	60%	30% (or 2.5% per month)
<b>Insurance Arrangements</b>	Compulsory deposit, 5% of value of loan	None. But 0.5% compulsory savings returned to participant at the end of loan cycle
<b>Deposits taken from General Public</b>	Yes	No
<b>Incentives to Repay</b>	Yes. Peer pressure.	Yes. "Graduation" to a higher loan. Peer pressure.
<b>Collateral Required</b>	No	No
<b>Criteria for Loan Approval</b>	Existing business willing to join solidarity group	Existing group willing to join communal bank

*Source:* Mosley (1996: Table 10.2) plus Author's Own Research.

SEPAS methodology is one that focuses on the follow-up and support of the women. Although payments are made once a month, meetings are carried out religiously every week. Each credit officer (3 in total) is responsible for 5 communal banks, meaning that she has a meeting with a *caja* every day of the week and sometimes on the weekends. This year SEPAS made the conscious decision to not accept more

applications for new communal banks, as it realized that it would not have the same capacity of follow-up and presence in the *villas* with more than 15 *cajas*. FONCRESOL Potosí did not like this because it would mean that about a third of the capital destined to loans would sit idle without returns.

This project is a new process for both SEPAS and the communal banks, and as these *cajas* aim for financial sustainability in the 9<sup>th</sup> cycle, they are faced with many challenges. However, the experience has overall been considered a success, as default rates are less than 1% (the best default rate of all of FONCRESOL National's lending programs), and the *socias* are generally satisfied with the project.

### **5.3 The Study**

#### **5.3.1 Objectives of the Primary Study**

Between July and December 2003, I coordinated an extensive baseline study for SEPAS Potosí. The study had three objectives:

- Collect statistical data on the participants that could then be made into a comprehensive database for future comparative studies
- Measure to what extent the specific objectives had been met
- Provide evaluation tools for the follow-up and systematization of the project

All the objectives of the study were met. However, the real essence of the evaluation project was that it was a pilot, a first step towards more comprehensive studies

in future. In this sense, the study was very valuable because it laid out tools, methodologies and strategies for future evaluations.

### 5.3.2 Objectives of the Secondary Study

While carrying out the above research, I had questions of my own. These were beyond the requirements of the study and dealt more with the broader issues of microfinance. Therefore, as I conducted the research for SEPAS I also integrated my own research interests. Both SEPAS and FONCRESOL were aware of my secondary study and will both receive copies of this report. The purpose of this research was to determine the effect of the Yanapanaku project on poverty.

More specifically, I aimed to answer the following questions:

- Does it meet participant demand?
- Does it target the poorest of the poor?
- Does it empower women?
- Does it address macro structures that perpetuate poverty?
- Does it reduce poverty in its broader definition?

### 5.3.3 Methodological Aspects

#### 5.3.3.1 Detailed Description of Methodology

I used both qualitative and quantitative research methods, through four techniques: participant observation, semi-structured interviews, document analysis and surveys.

The timeline of the research was the following:

*Table 5.3. Research Timeline*

<b>Mid July and August</b>	<b>September and October</b>	<b>November</b>	<b>Mid December</b>
Research Design	Implementation of Interviews and Surveys	Data transcription and analysis	Creation of a comprehensive ACCESS database with all statistical information
Attendance to two meetings of each of the 15 Communal Banks (30 meetings in total attended)	Participant Observation in 4 weekly Communal Bank meetings (36 meetings in total attended – 9 of each Communal Bank)	Production of Report for Primary Research	

*Participant observation:* In the first month and a half of my fieldwork, I attended two meetings of each communal bank. This was done to get an idea of how the groups worked and the dynamics of the *cajas*. I was then able to pick four Communal Banks with differing characteristics, and for the next two months I carried out participant observation in these four groups. The fact that I attended these meetings for three and a half months, that I was myself Latin American and that I was a woman, allowed me to build trust with the *socias*. However, this process took time as Bolivians are very reserved. I am certain that if my fieldwork would have been only a month or two, I would have not been able to obtain the information I wanted.

In a more subtle way I also carried out participant observation within SEPAS. I was constantly exposed to the organization's strategic planning, the implementation of its mandate, its interactions with participants and the interaction between staff. I was therefore

able to systematically observe and make notes on interactions, discourse, and events to complement the overall research.

*Semi-structured interviews:* I conducted semi-structured interviews with 24 of SEPAS' participants as well as 2 SEPAS and 1 FONCRESOL staff. I also conducted many informal interviews with experts and third parties. Interviews were by far the best way to obtain first-hand information from those directly involved with and affected by the *cajas*. Bolivian women are strong and intelligent, however, they are not very outspoken. It took a great deal of work and relationship-building to interview the *socias*. I am grateful that they took the time from their busy lives, put aside their shyness and opened their thoughts to me.

*Document Analysis:* I have had much access to SEPAS' and FONCRESOL's documents on their history, mission, mandate, and policies. As well, I had access to many memos, e-mails and letters exchanged during my stay, between the two organizations. I was also able to analyze the few data that SEPAS had on its participants.

*Surveys:* These were key in obtaining large amounts of statistical data on the economic and social circumstances of the *socias*. My objective was to have an 80% sample, meaning, at least 240 women surveyed. Originally, I had planned on conducting individual and confidential self-administered surveys. However, it became very clear very soon that these surveys would not work for three reasons: 1) 20% of the women do not know how to read or write; 2) In one communal bank, the majority of the *socias* spoke only Quechua; and 3) Those women who spoke Spanish and who could read and write still had

difficulty filling out forms on their own. The only way a survey could be administered to a *socia* would be if the surveyer wrote the answers down herself. Because SEPAS wanted a large amount of information, the surveys were quite long<sup>41</sup> and it was estimated that it would take about 30 minutes per *socia*. This meant at least 120 hours of survey work that the team just did not have.<sup>42</sup> It was then decided to conduct the surveys in groups of four to eight *socias*. They were then carried out in the regular meeting time of the communal bank so that the *socias* did not take extra time away from their commitments. Depending on the size of the *caja*, the group was divided in three to five groups of four to five women. Each group had a surveyer (either a credit officer, a volunteer or myself). In this manner only 15 surveys were carried out by each surveyer, each lasting between 2 and 3 hours.

The surveys proved to be an interesting experience in themselves. They worked well because a high level of trust was already established between the group members and so the *socias* were not afraid to tell the truth about their incomes or other sensitive information. In fact, social control took place in some surveys, for example, in one instance a group pressured a woman who was overestimating her expenditures to tell the truth. The surveys also provided a space for women to tell stories, laugh and get to know each other more. As a surveyer, it was easy to grow impatient with the time it took to get the questions answered, but the realization that these group surveys were also allowing me to do participant observation helped me relax me quite a bit.

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<sup>41</sup> Each survey had 76 questions. Please refer to the appendices to read a sample survey.

<sup>42</sup> The survey team was integrated by myself, the 3 credit officers, who spoke Quechua, plus 3 part-time volunteers. However, most of the team members, in particular the three credit officers were overloaded with other work and had very little time to work in this study.

All the information gathered through the surveys was entered in an extensive ACCESS database created with the help of computer engineers. This database will give the organization access to the raw data. SEPAS will be able to produce monthly reports, analyze trends, do projections, searches and queries, and compare data.

Table 5.4. Summary of Research Methods Used

<b>Quantitative Research</b>	<b>Qualitative Research</b>
<ul style="list-style-type: none"> <li>• 241 surveys of all 15 communal banks</li> </ul>	<ul style="list-style-type: none"> <li>• Participant observation of 4 communal banks</li> <li>• 21 semi-structured interviews with members of the 4 communal banks above</li> <li>• 3 semi-structured interviews with SEPAS and FONCRESOL staff</li> <li>• SEPAS and FONCRESOL Document analysis</li> </ul>

### 5.3.3.2 Methodological Challenges

*Lack of Baseline Data:* The biggest challenge in carrying out this evaluation was the lack of statistical baseline data of the *socias*. There was very little information collected on each *socia* at the formation of the *cajas*, and this information was never entered in a database, it was just left on paper. It was surprising to see that no data on income, capital, level of poverty, etc. was collected, only information pertaining to the identity of the *socia*, such as name, ID, address, age, name and ID of husband or relative, mother tongue, literacy, number of children; and information on her income-earning activity, amount borrowed, and destination of the credit. SEPAS had been meaning to

collect broad statistical data that would then be accessed through a comprehensive database, but it had not had the human resources and the capacity to do it. In terms of evaluating a program, not having data to compare my results with, posed a challenge because I was not able to evaluate the impact of the program on aspects such as: the change in the level of income of the *socias*, their access to health and education, their literacy, their intra-family relationships, etc. I just had my own data to work with. However, even if I would have had preliminary baseline data, the oldest *cajas* are only four years old, with the majority being two or three. This is a very short time to study the impact of a project, “you would need 5 to 10 years to determine the impact of the communal bank program, what we need now is a study of *adjustment*, something that would let us know if we are on the right track.”<sup>43</sup> I am unsure of whether I would have been able to do a serious comparative study within a four-year span.

*Measuring Poverty:* Using the criteria of broader definitions of poverty, the information needed to determine the level of poverty of a household would be: income, illiteracy, malnutrition, life expectancy, maternal health, illness from preventable diseases, access to education and social exclusion. In my research, I was not able to obtain much health information such as life expectancy, maternal health and illness from preventable diseases. However, I did obtain data on access to health care, which I use as a proxy.

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<sup>43</sup> Interview with SEPAS director Jaime Bejarano, August, 2003.

*Accuracy of the Information:* Because most of the data obtained in this study came from the *socias* themselves, either through interviews or surveys, I have assigned a high margin of error of 5%. For example, in one instance a *socia* told me she could read and write, however, when I handed her a form upside down, she did not notice and went on “reading.” In the same manner, other *socias* may be inclined to lie about their income or destination of the credit, however, as explained above, I believe that much of this was deterred by group pressure to tell the truth in the surveys. In any case, it is important to be aware that not all answers given to a researcher’s questions are always truthful, and that it is necessary to build this into one’s analysis of the results.

#### 5.3.4 Findings

The following section will describe in detail the findings of the evaluation with respect to the criteria laid out earlier on. I will first provide an overview of the target group and the communal banks for the better understanding of the results.

#### 5.3.4.1 The Target Group

*“I’m sitting in a room filled with Bolivian women and their children. They are beautiful and witty. They are self-confident in a quiet way. These are the women I buy popcorn from in the street, the women that sell me orange juice and who do my laundry. These are the Cholitas. They are here, in this room, with their braids and their rugged hands, their missing teeth and silver earrings, their bowler hats and their big colourful skirts... behind those smiles there is insight, those eyes show intelligence and a lot of patience; hardship lived with diligence and decorum.”<sup>44</sup>*

- Who Are the *Socias* and What do They Do?

There are approximately 300 participants in this program. 99.2% of them are women.<sup>45</sup> The typical member of a SEPAS communal bank is between 25 and 46 years old (58%), married (69%), with children (95%) and literate (80%). Most likely she was not born in Potosí (60%), migrating from a rural area, but has lived in the city between 6 and 20 years (58%).

The most common economic activities that the *socias* carry out are: knitting (14%), sale of food and beverages in the street (10%), sale of clothes in street markets (8%) and small neighbourhood grocery stores (6%). Other activities are: sale of fruits and vegetables, sale of smuggled canned goods, sale of make-up, laundry and maid services, plumbing, and hair dressing, among others.<sup>46</sup> These types of economic activities and their tiny capital of less than 500 Bs (\$64 USD) (34%), indicate that these women

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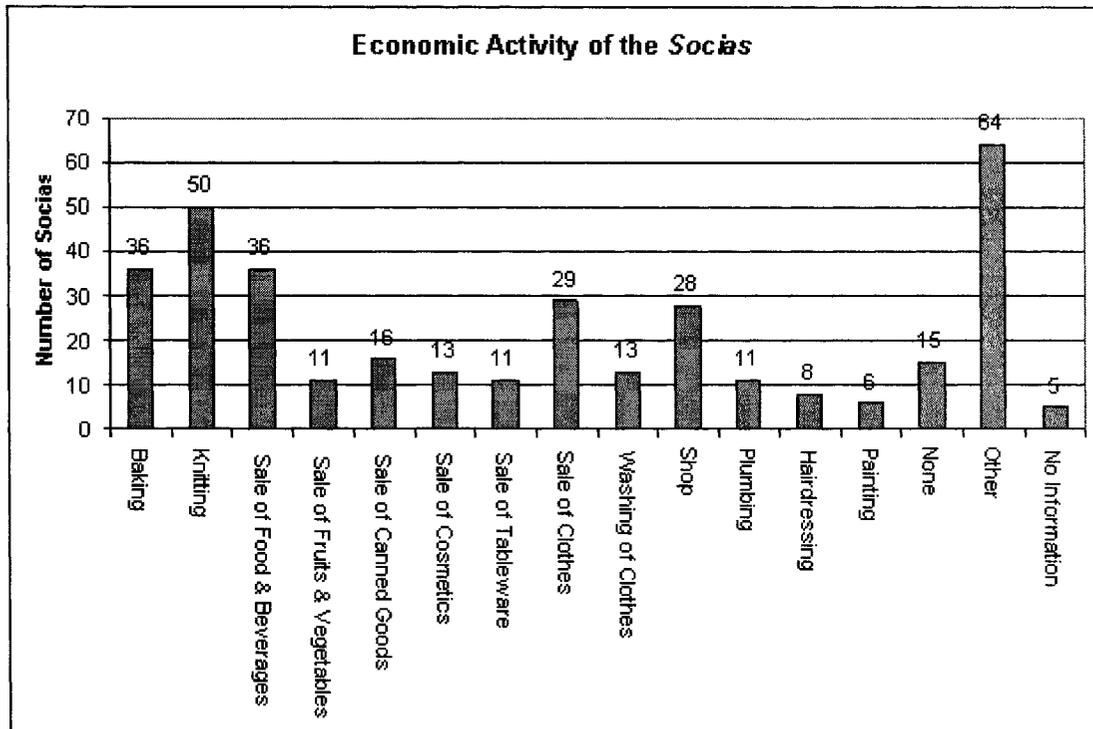
<sup>44</sup> Participant Observation notes from August 2003.

<sup>45</sup> There are 3 men that have been allowed to join the communal banks by their fellow members. However, none of them attend the meetings, sending their female relatives in their place. “He does not like our yapping,” says a member of Buena Vista communal Bank, explaining why the male *socio* does not attend the meetings (interview, Sept. 2003).

<sup>46</sup> Over 60% of the money borrowed goes to the *socias* income-generating activities. The rest is mostly used for house repairs and purchase of household items.

own very small business that operate within the informal sector, which is a *perfect competition* market (one in which supply is larger than demand, so there are many similar products and therefore, a high level of competition).

Chart 5.2. Income-Earning Activity



Source: Author's Own Research.

- What are Their Costs of Participating in the Project?

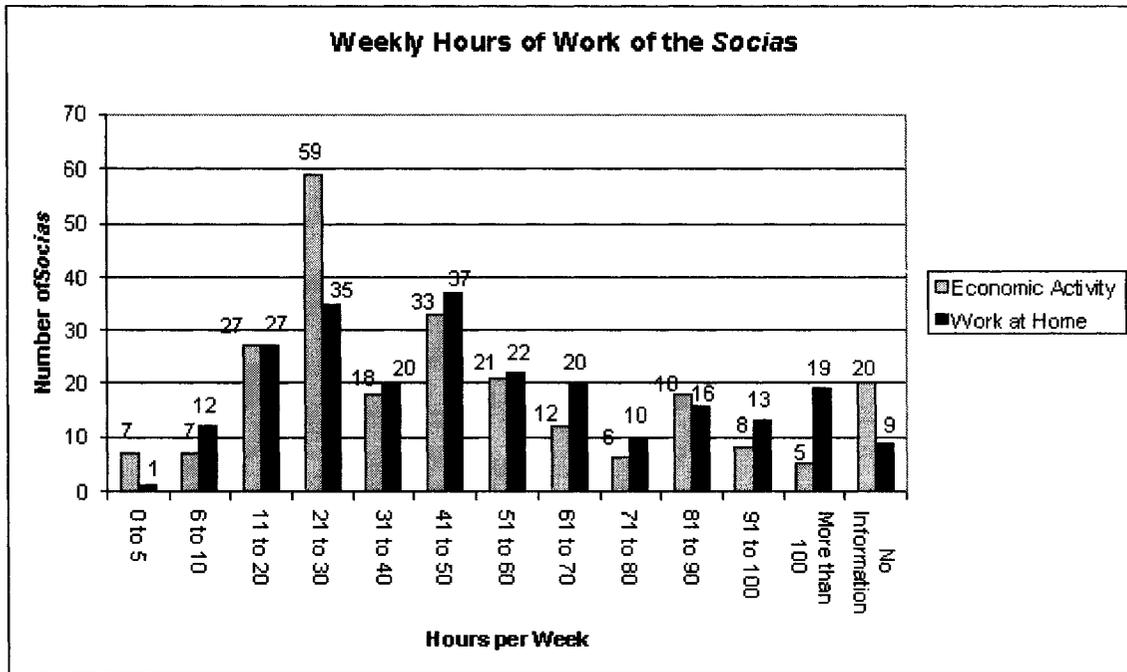
*Time:* Most *socias* work between 21 and 50 hours a week in their economic activities (50%). 100% of them also work at home, doing household chores. For most *socias*, this means working an additional 21 to 50 hours a week in their homes (40%). This results in a large percentage of the *socias* working between 42 and 100 hours in total

(adding both work at home and economic activity) per week; leaving them with very little free time. Communal bank meetings are mandatory and run weekly for about 3 hours. *Socias* sacrifice income or time at home to attend these meetings, and they expect these to be fruitful and productive, but it is not always the case. In one interview, one of the *socias* expressed: “A lot of times we meet to look at each other’s faces, we get bored without activities...”<sup>47</sup> I also observed this phenomenon in many of the meetings I attended as there were no structured or programmed activities. Most meetings (except for those when disbursements were made or payments collected) seemed more like social gatherings than credit meetings. Most women chatted, knitted, ate and took care of their children. There is a demonstrated need for free time and a space like this, however, as will be seen below, the *socias* want much more training and much more activities for their time at the meetings to be really worth it.

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<sup>47</sup> Anonymous interview with member of the communal bank Nazareth, September 2003.

Chart 5.3. Weekly Hours Worked at Home and in Economic Activity



Source: Author's Own Research.

*Interest:* The most obvious cost for the *socias* of having a loan is the interest – as well as other minor transaction costs. Interests rates in Bolivia are extremely high due to the volatile characteristics of the economy. Most commercial bank rates are between 30% and 60%. The rates of FFPs and larger MFIs are usually about 60%. They can afford to have larger rates than the commercial banks because they do not require collateral for loans, therefore they have a higher demand for their products. SEPAS' interest rate is then regarded as quite low at 30%. When asked if they thought the interest rate was good, too high, or too low, 70% of the *socias* answered that it was good.

However, the majority insisted that it should not go up. SEPAS has a clear policy on this, it will keep its interest rate at 30% as long as it can.

*Hidden costs of loans:* These are much harder to measure, however, they are present mainly in the form of pressure to repay the loan. This pressure usually comes from the group itself causing friction between the members and a high degree of stress to the borrowers. “Other moms<sup>48</sup> have made us lose money. We have lost 100 Bolivianos from our internal account, Hilda and Feli have lost it. There are many moms that are very abusive and when you ask them [to repay] they get mad. Then everyone is quiet and they ask me to go and collect.”<sup>49</sup> For the borrower who owes money, her reputation, and the reputation of her husband, is at stake in the neighbourhood.

#### 5.3.4.2 The Dynamics of a Communal Bank

Each one of the fifteen Yanapanaku communal banks has particular characteristics. Some groups are small and very active, while others are larger and disengaged. Some groups have a religious character in addition to the credit, while others clearly meet just because of the loans. However different each communal bank may be, overall they share some aspects in common. The first is that all the members of a communal bank are neighbours. They all live in the same *villa*, have been to each other houses for weddings and baptisms; they have usually been in previous groups together

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<sup>48</sup> Most of the *socias* refer to their fellow *socias* as moms. As they were originally part of mother's groups, where mothers gathered and received milk for their children and educational health talks from the government. The government stopped running these groups in the 90s.

<sup>49</sup> Anonymous interview with the treasurer of the communal bank La Pastoral, September 2003.

and know the circumstances of each other really well. It is this which allows them to join in a group together and guarantee each other's loans. Secondly, they meet every week religiously. Some groups meet at one of the *socias'* house, others meet at schools or churches or any other locales in the neighbourhood loaned to them by the priest or local leader.

Thirdly, all groups carry out fundraising activities and save the proceedings in their *internal accounts*. Most of these activities take the form of cooking meals for the meetings: each *socia* takes a turn in cooking a meal which she then sells to the other *socias* for one or two Bolivianos. This is a form of mandatory savings that the groups have developed. Another form of fundraising is cooking or selling arts and crafts at fairs or special events organized by SEPAS. The money saved in the *internal account* is often used to lend to members with an interest rate of 3%, to buy wholesale supplies such as flour, sugar, pasta, etc; and to buy the *socias* Christmas, birthday and mother's day presents.

I always found meetings fascinating, even when the *socias* did not have much to do; there was always a decision to make, food to eat a lot of laughter. Throughout my attendance to different group meetings I witnessed the dramatic dismissal of a member of the group, the support given to a *socia* who had just been beaten and left by her husband,<sup>50</sup> and even a severe seizure of a member to whom I had to perform first aid. Of course, not all meetings were this intense, but I was able to see and partake in a lot

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<sup>50</sup> He took with him their two children and the computer she had bought with the credit money.

throughout the four months of my fieldwork. I also became very close with several groups.

Communal banks exist both because they offer credit to its members and because they offer them a space where they can be themselves, where they can chat, fight, plan, cry and laugh in a safe environment. These groups would not exist if there were not a form of incentive or economic gain (the credit); in this sense much of the benefit from these groups for the women is well beyond that of the credit.

#### 5.3.4.3 Results with Regard to Criteria

The research question: *What are the effects of microfinance carried out by a poverty approach organization?* can only be answered through the close observation of the SEPAS project with regard to specific criteria. These criteria, as established earlier on, are my own, based on a broader definition of poverty, on Woller's analysis of the failure of microfinance and on Schreiner's framework of outreach.

In this section I have formulated the criteria as questions that I will attempt to answer with empirical data. The idea behind this is that I can use the data as a proxy to the criteria. Sometimes the data comes from the statistical study, others from the information obtained from the interviews with the *socias* and the institutions staff, and others, from participant observation and the analysis of the institutions' documents.

## 1) Meeting Participant Demand

### *a. Does it provide financial services in addition to credit, such as savings?*

Yes. SEPAS communal banks offer two types of savings services. First, each *socia* is required to pay 0.5% in addition to the 2.5% monthly interest. This 0.5% is a form of mandatory savings that is then returned to the *socia* at the end of her stay with the *caja*. The majority of *socias* (92%) think that mandatory savings should continue, which demonstrates their interest in increasing their capital not only through debt but also through their own contributions. The second way that communal banks provide savings is through group savings. All *socias* carry out fundraising activities and the money collected from these goes into an internal savings account of the group. The purpose of this account is that eventually it will grow to a certain amount that will allow the communal bank to carry out its own lending program. However, many of the *socias* do not share this long-term vision with SEPAS and would prefer that this amount be divided and distributed evenly among members at the end of each cycle.

### *b. Does it provide services that are not too costly for the poor (i.e. low interest rates, etc.)?*

Yes. As mentioned earlier on, SEPAS' interest rate is among the lowest in the market and the *socias* are aware of this. One *socia* said, "I used to take a credit with PRODEM but both the loan and the interest are in dollars, so my sister told me about this group and I decided to join in, the interest rate here is much better and is in Bolivianos."<sup>51</sup> She makes a good point: both the loan and the interest in SEPAS are in the national currency, which is better for the borrowers because they do not have to worry about devaluation. Other transaction costs of getting a loan are absorbed by SEPAS, as the

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<sup>51</sup> Interview with member of communal bank La Pastoral, August 2003.

institution allows the women to photocopy all their documents, type letters and print for free in its office. In terms of the amount loaned, 65% of the *socias* believe this amount is good, however a large percentage of women (30%) would like larger loans.

## 2) Service Provision to the Poorest of the Poor

### *a. Does it give credit to the poorest women for commercial activities or for life investments?*

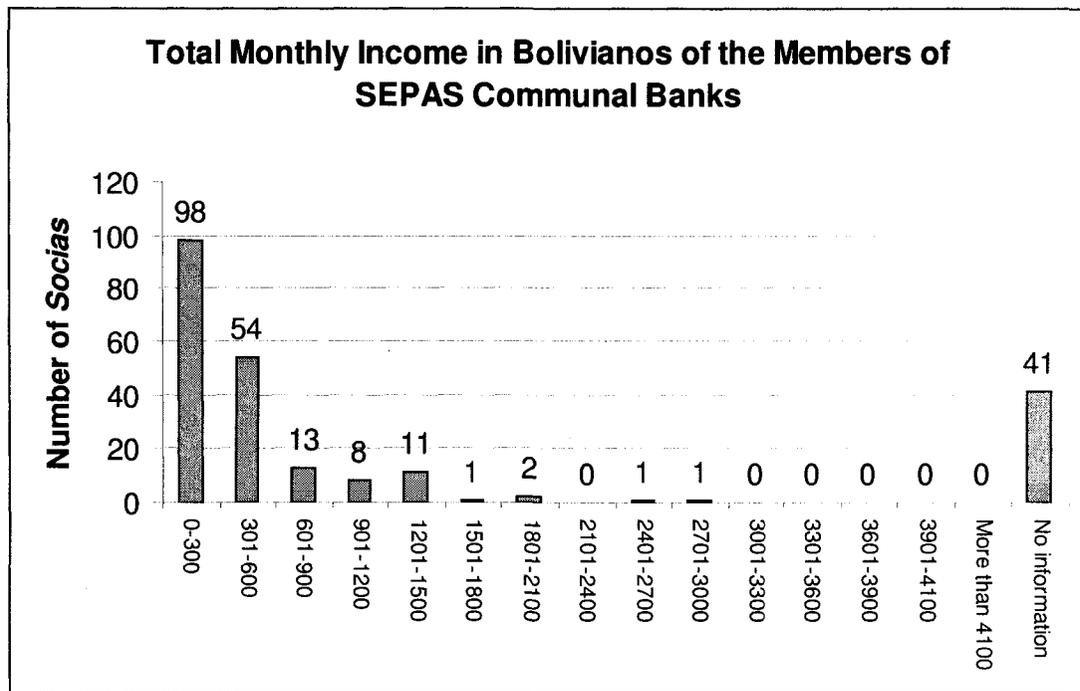
No. SEPAS provides loans to women that live just below the poverty line.<sup>52</sup> It purposely seeks to do this because it believes that credit will be of more help to the less poor. The average income<sup>53</sup> of the women in the program is \$654 USD per year, which is less than a \$100 lower than the average of the Municipal District No. 12 (\$730).

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<sup>52</sup> The World Bank provides two poverty lines, the first is the original \$1 dollar per person per day. The second, \$2.16 dollars per person per day is a new estimate created in 2001 (World Bank, 2001). According to the World Bank, this second standard reflects a higher estimate of the extent of poverty (Chen & Ravallion, 2003:7) and therefore it is the one I choose to use for this project because I believe it better conveys the level of poverty in the country. According to this measure, the poverty line is \$769, therefore the average income of the *socias* is \$115 less than the poverty line.

<sup>53</sup> Their total household income (which includes the income of the *socia*, plus the income of her spouse and/or any other income-earning family member, plus any other income from rent, etc.) is \$1,656 USD per year. However, I will use *per person* measurements of income in order to standardize my figures to those of the INE and the World Bank (who use *per person* figures).

Chart 5.4. Monthly Income of the Socias



Source: Author's Own Research.

b. *Does it provide savings, non-cash loans, and non-financial products such as training to the poorest participants?*

No. SEPAS does not provide savings or non-cash loans to the poorest of the poor. It does have a comprehensive program of technical support and legal aid for the rural population, who are the poorest.<sup>54</sup> However, these services are outside of the project Yanapanaku.

<sup>54</sup> As mentioned in Ch 3, 95% of the rural population lives under the poverty line.

### 3) Empowerment of Women

#### *a. Does it ensure women control their loans?*

No. SEPAS has no mechanisms in place to ensure that the loans are controlled by the women. It is widely regarded among the *socias* that their loans are an important contribution to their families, yet, all the economic decisions are made by the male family member (husband, father, brother or eldest son). “My husband told me to get the loan because it would help us buy parts for the garage...”<sup>55</sup> said one *socia* in an interview illustrating how the decision to get a loan was made by the male relative.

In 64% of the cases the loans were invested in the *socia's* income earning activity. The remainder 36% was split between family expenditures (house repairs, children's schooling) and husband's/male relative's business. This suggests that in many cases women were channelling credit to their husbands/male relatives, having no control over their loans.

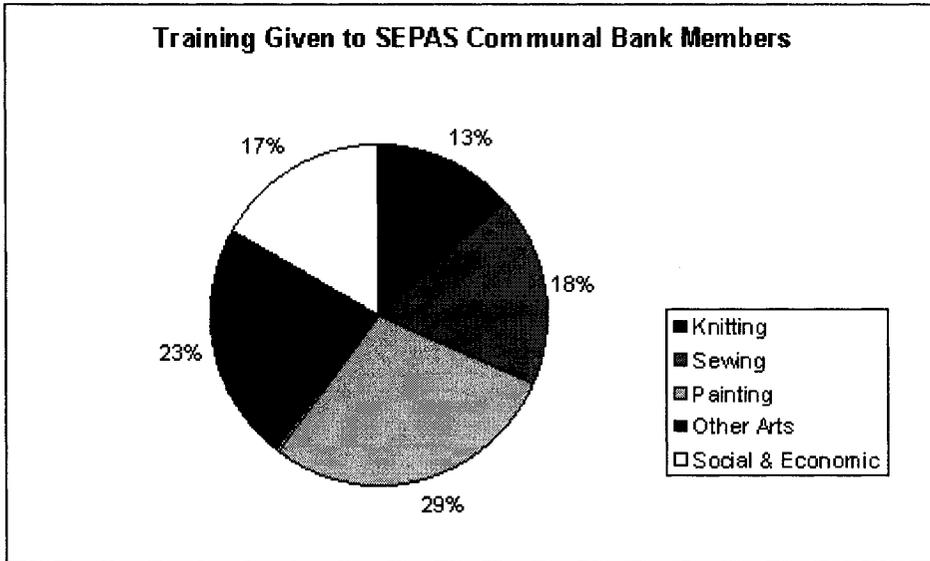
#### *b. Does it train women in economic, legal, social and family aspects/issues?*

No. Although this has been one of SEPAS' more important objectives, it has not been successful in carrying it out extensively and systematically. 63% of the *socias* have received some type of training, however almost half of this group received training only in their very first loan cycle. An interesting finding is that although SEPAS has wanted to focus on economic and social training, most of the actual training that has been given has been on arts and crafts by request of the women.

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<sup>55</sup> Anonymous interview with member of communal bank Virgen de Urkupiña, September 2003.

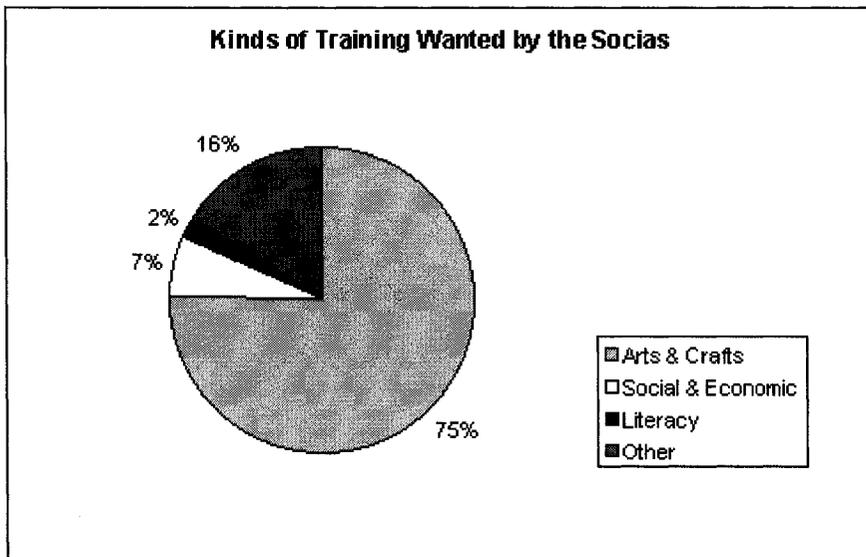
Chart 5.5. Types of Training



Source: Author's Own Research.

99% of the *socias* surveyed said they wanted more training, in particular in arts and crafts.

Chart 5.6. Type of Training Wanted



Source: Author's Own Research

*c. Does it encourage women to participate in their communities?*

No. 64% of *socias* participate in their neighborhood committees, however only 5% of them are part of the directives of these. Only two communal banks participate actively in their neighborhood committees but do not carry out concrete work or projects in common. 58% of the *socias* who are not involved, said that they would like to participate actively. SEPAS has not been able to work with these women towards participation.

*d. Does it support women in the start-up of new microenterprises?*

No. Although the ultimate goal of the SEPAS project is to support the creation of microenterprises, the institution has not developed a specific plan of how to achieve this. Perhaps the reason is that its communal banks are still relatively new, the oldest groups being in their fourth cycle.

*e. Does it provide a space where they can network, discuss family problems and strategize?*

Yes. This is by far the aspect in which the communal bank methodology excels. A *socia* in her fourth cycle says: "I am part of a communal bank because we share and we help each other; I trust that if something happened and I needed support I would be helped. We go to the meetings because we get bored at home working or being with our husband and children; going to the meetings helps us forget for a little bit about our worries: in the meetings with talk, we laugh, it's good for our health."<sup>56</sup>

As I have stated before, the meetings are a legitimate space where the women provide support networks to each other.

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<sup>56</sup> Anonymous interview with member of communal bank Buena Vista, August 2003.

*f. Does it provide child-care services when the women are in meetings?*

No. This has not been discussed within SEPAS. However, most women showed interest in having some form of childcare, which could perhaps earn income for the group. For example, at every meeting one or two *socias* could care for the children of the rest and receive a small pay that could either go back to the internal account or be kept by the child minders.

#### 4) Social Change Agent

*a. Does it share a progressive and socially driven philosophy with its participants?*

Yes. SEPAS sees credit as part of a holistic framework driven towards social change. This vision and identity is shared with its participants.

*b. Does it provide legal aid and educational workshops?*

Yes. Free legal aid is provided to the *socias*. As well, outside of the Yanapanaku project, SEPAS has an extensive training program for neighborhood leaders and farmers, and it provides free legal aid to all its participants.

*c. Does it carry out macro-economic market studies that would help the participants better choose their economic activities?*

No, but the organization plans to carry out these studies in the coming months as it has determined that in order to assist the women with the start-up of microenterprises it needs to find out the characteristics of the markets for the products that the *socias* would want to sell.

d. *Does it stress the solidarity aspect of the loans (group lending) as opposed to an individualistic market driven approach to credit?*

Yes. Although loans are made to individuals within groups, it is the groups that are viewed as the key players. Each group has its own identity, all decisions are made democratically and the role of the credit officers is stressed to be as that of facilitators of the group process. The group lending methodology is inherent to the philosophy of SEPAS.

#### 5) Poverty Reduction in the Broader Sense

a. *Does it raise income?*

Because I did not have previous data to which to compare my current information to I cannot categorically answer this question. However, when asked if the credit had improved their economic situation, 97% of the *socias* answered yes. It is hard to tell whether this improvement was a real increase in income or a perceived betterment in their economic well being from a temporary increase in their capital. It is my belief that in this experience income did go up because the majority of the *socias* invested their loans in their own businesses, instead of using them for consumption purposes. The question that remains unanswered is by how much did their income increase.

*b. Does it improve other aspects of poverty such as literacy, malnutrition, life expectancy, access to health and education, social exclusion, etc?*

Once again, this question cannot be answered properly with my data. However, I would expect an increase in income to increase the *socia*'s access to education and health for her children; therefore, having a positive effect on malnutrition and the life expectancy of herself and her family. I did have baseline data on illiteracy that I was able to compare with the current data; I found that the project has no impact on the literacy level of its participants.

6) Long-Term Project

*a. Does it have a long-term vision and planning?*

Yes. The Yanapanaku project finished last year its first four years of operation and it is now entering a second phase that will also last four years. In this second phase, the project is beginning to rethink its objectives in the sense that it wants a clearer direction and strategy.

*b. Is it financially stable?*

Yes. The SEPAS run Yanapanaku project began with a loan of \$50,000 USD. From this amount, only a third was invested in the portfolio for the communal banks, the rest was left to earn interest. The third that is loaned to the communal banks earns an interest of about \$5,000 UDS per year. This income is spent on one full-time staff and on

administration costs related to the project such as workshops, correspondence, telephone, transportation, etc.

#### **5.4 Conclusion**

In this chapter I have attempted to bring to life the setting in which the study took place, as well as the characteristics of all the actors involved. I have then highlighted the main findings of the study, based on the criteria established earlier on. These findings illustrate those things that SEPAS does well, and those that need improvement in order to deliver a more effective project. It is my hope that in the next chapter I will be able to bring it all together and draw some lessons from this experience that will contribute to the microfinance field as a whole.

## Chapter 6

### DISCUSSION AND CONCLUSIONS

#### **6.1 Introduction**

If last chapter was the heart of the study, this chapter is the brain. It is here that I will attempt to analyze the findings with relationship to my criteria and answer my research question. I will first explore the findings by criterion, then, I will bring it all together and draw some conclusions that can be linked to microfinance at the grand scale.

#### **6.2 Analysis of Findings**

The purpose of this study is to determine the overall effect that a small poverty oriented project has on its participants. The rationale for answering this question is to learn from SEPAS' experience: once determined which practices work and which do not in the project, it will be possible to draw out some insight towards the debate of the effects of microfinance on poverty in general. The following criteria were designed based on a broader definition of poverty, on Woller's analysis of the failure of microfinance and on Schreiner's framework of outreach.

##### **6.2.1 On Meeting Participant Demand**

On a basic level, the Yanapanaku project meets demand in two ways. First, it provides savings services in addition to credit, and second, it provides financial services

at a below-the-market price. However, moving beyond the services it offers, it can be seen that there is a further demand for savings that it is not being met. The first is mandatory individual savings. Currently, *socias* pay 0.5% of their loans per month into an individual mandatory savings account. This account remains untouched until the *socia* retires from the group; for example, if she has been in the communal bank for four cycles borrowing the usual amounts, she will receive 150 Bolivianos (about \$20 USD). The *socias* are aware that every month they contribute to a savings account, however, they are unaware of the exact percentage, usually confusing 0.5% with 5%. When told the right percentage, many *socias* seemed disappointed and quite upset because they thought the percentage was a lot larger. 92% of the *socias* like the idea of mandatory savings as they think that otherwise they would not put aside the money spending it on minor things, however, the majority of this percentage wishes that the savings to interest ratio was higher. Many suggested that it should be 1% savings, 2% interest per month as opposed to 0.5% savings, 2.5% interests per month (the way it is now).

The second savings service that does not fully meet demand is the group savings, or *internal account*. This money is shared by the group and collected through group fundraising activities. SEPAS views this money as a group investment that will allow the communal bank to lend, in the future, to its own members as well as to outside community members, or to start a business.<sup>57</sup> Because the idea is that the capital of the communal bank needs to grow, SEPAS only allows the money in this account to be

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<sup>57</sup> SEPAS is not fully clear yet on the methodology to be used in future loans, but most likely it would lend small amounts towards income-generating activities on either a group or individual basis.

invested in fundraising activities or to be loaned to members (both being income generating activities) with the purpose that by the time the 9<sup>th</sup> cycle comes, the capital will be significant enough to lend or to start a microenterprise. On the other hand, given the volatile economic reality of the majority of the women in the *cajas*, more value is placed by these rational economic actors on the short to medium term rather than on the uncertain long term; therefore, many of them believe that the money in the *internal account* should be divided evenly among all members at the end of each cycle.

While in the first case (individual savings) there is a discrepancy between what the *socias* want and what SEPAS is economically able to do (SEPAS cannot afford an interest lower than 2.5%), the second case presents a point of divergence between the SEPAS vision and that of its borrowers. In the first case, SEPAS can attempt to meet demand through an increase in the mandatory savings rate, say to 1%, while it maintains the interest rate at 2.5%, as it might prove possible for the *socias* to pay a higher total percentage if they place more value on the savings they will have at the end of the cycle, than on the extra money 'lost' monthly. However, in the second case, what SEPAS wants and what the *socias* want is different. SEPAS wants the long-term commitment of the women to turn their communal banks into income generating organizations in three to four years. The women want to receive their share now of their fundraising activities. This is a matter hard to reconcile. The *socias* follow the policies of SEPAS because they want access to affordable credit, however they envision something else for the money that

they have. There seems to be then, in this case, a power-relationship between SEPAS and its borrowers, in which SEPAS “knowing what is best for the *socias*” imposes its will.

In spite of these tensions, SEPAS does meet basic participant demand in that it provides savings in addition to credit and in that both services are affordable and below market prices. What it needs to do now is improve on its methodology so it can appropriately reconcile its vision with the needs and wants of its participants.

#### 6.2.2 On Targeting the Poorest of the Poor

Before discussing this aspect I need to re-state the difference between SEPAS and Yanapanaku. SEPAS is the NGO that administers Yanapanaku, the microfinance project. In this study I only evaluate the project Yanapanaku and SEPAS’ action within it, but not SEPAS as an organization. Obviously, the vision of SEPAS deeply influences the project, however, some activities carried out by SEPAS in other of its areas may not be part of Yanapanaku.

The project certainly targets the less poor. However, it does not target the poorest of the poor. Here is where the above differentiation is relevant: While SEPAS carries out projects that target the rural poor and the ultra poor, it does not undertake this within Yanapanaku. This is important because according to my criteria, for a microfinance *project* to be effective it needs to target both types of poor. It is interesting to look once more at the main objective of project: To improve the conditions of life and income of the poorest families of Potosí, and spearhead economic and productive activities. This

objective implies that it should reach the poorest borrowers, but why does it not? There are two main reasons: First, the ultra poor are a lot more vulnerable to external shocks that compromise their ability to repay within a set schedule, therefore they are not able to join a group where payments are made religiously every month, and even if they join them, they leave after one or two cycles. All those who have defaulted in the project have had total incomes less than \$450 USD per year (the average income of the *socias* is \$654 USD per year), which illustrates the positive relationship between higher poverty levels and default rates in a project that does not have an effective support system for the poorest. In this context, the poorest of the poor do not benefit from a loan the way the less poor do, if anything, they become highly indebted and even more vulnerable. The second main reason why Yanapanaku does not reach the poorest participants is because the members of the communal banks exclude their poorer neighbours. When a communal bank is formed, it is usually integrated by a group of friends who know each other well and trust in each other's capacities to repay; they then expand the group recruiting suitable members. Some of their requirements are that the *socia* be married and that she owns her home. These requirements are not of SEPAS' liking (who claims to have an open entrance policy) but because the institution attempts to empower the group by allowing it to make its own decisions on membership, etc., it does not interfere in the membership selection process. It can be said then that the communal banks are biased against the very poor because of concerns about their creditworthiness.

In addition to these two main forms of exclusion of the very poor, the project also excludes them through certain practices. First, Yanapanaku operates solely in an urban area of Potosí, where the concentration of the very poor is a lot smaller than in the rural areas.<sup>58</sup> In this sense, the project is choosing to target less poor urban borrowers. Secondly, and more important, Yanapanaku does not have a set policy on the *urban* poorest of the poor. It seems that the project is willing to work with the very poor but does not have the resources to design a lending methodology that may be best suited for this group.

### 6.2.3 On Empowering Women

The project's discourse is one on economic empowerment of women, through their integration into the labour market. In this sense, the project equates empowerment with increased access to resources as the result of an increase in income. Although the project also incorporates ideas on intra-family gender relations, self-esteem, and leadership, it has not been able to translate them into action. My perception on the project's approach is that it does not have a clearly formulated policy on gender (beyond some statements in its proposal), confusing poverty reduction with the empowerment of women. The project, and its staff, has a clear notion that women are marginalized economically, however there is no acknowledgement that women are marginalized in their households as well. For example, as mentioned earlier, there was a

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<sup>58</sup> However, FONCRESOL operates in the rural area.

case of a *socia* who was severely beaten by her husband, who then left her and took their children with him. Although emotional support was provided to her at the communal bank meeting followed by legal aid to help her get her children back, there was no further reflection on the issue. The opportunity was not taken to carry out an in-depth workshop on family violence, or on mother's rights. Furthermore, her case was seen as an isolated unique scenario that was out of the ordinary, instead of acknowledging that family violence is a reality for a large percentage of Bolivian women.

The SEPAS project staff does not have knowledge of the current debates in the field with relation to women's empowerment and, therefore it is not aware of issues such as: targeting women because of their higher repayment rate, the aspect of who controls the loans, women's economic coping mechanisms, aspects of women's participation, etc. This leads SEPAS to operationalize its own blurry interpretation of women empowerment. However, even in practice the project does not meet its own objectives. For example, a main objective of Yanapanaku is to train women in economic and social aspects such as: accounting, business administration, community leadership, identity and self-esteem, health, among others. But somehow it has strayed from these topics and focused on arts and crafts. The project staff admits that they have not invested the time and the resources to develop useful, participative and valuable workshops on these topics and that it has been a lot easier for them to hire arts and crafts teachers to teach the women how to paint, sew, and knit. The main problem with this is that once again the identity of the project is undefined. The project states as its main objective to spearhead

economic and productive activities, but painting, sewing and knitting are hardly income generating activities. Only 20% of the *socias* that paint, sew, and knit, do it as an economic activity and the majority of this percentage does it as a secondary or complementary activity, because, as they express, these activities do not bring enough income. Training in these activities is valuable for the women in that it allows a space for personal growth, relaxation and self-esteem building; however, if SEPAS continues to deliver this training it will have to change its objective from spearheading economic activity to spearheading leisure activities. The majority of women, when asked what kind of training they wanted to receive, said that they wanted more training on arts and crafts. This reflects, once again, a discrepancy between what SEPAS wants and what the participants want. But perhaps in this case some of the arts and crafts training could continue while other social, economic and technical training are incorporated into the program. SEPAS is aware of this and has placed economic and social training as a priority for this next phase.

Another objective that SEPAS needs to look closely at is that of supporting microenterprises. This is something that it should have begun working on about a year ago; however, it has been hard for the institution to design a plan of action since it is not its area of expertise. It has then left it for the second phase of the project but it is still uncertain on how to go about carrying it out. For the moment it has designed a macro economic market study to determine which products are profitable and which not; it plans on undertaking this study in the first semester of this year.

The two most valuable things that the project does towards the real empowerment of women are: informally training women to assume leadership roles and providing them with a space to express themselves, participate and network. Being part of a communal bank is in itself an empowering experience for its members. The women jointly manage their finances and make all the important decisions in the *caja*. Every cycle a new directive is elected providing opportunities to all *socias* to be part of the board. Women learn leadership and public speaking skills and they develop their facilitating and team building skills. They learn to manage their *internal account* through basic accounting methods and sharpen their business management skills through investment decisions, etc. Several *cajas* have treasurers who do not know how to read and write, however, they have proved very competent in carrying out their appointed tasks.

I have discussed in several sections of this document the value of the space that the communal banks provide for their members. I will not repeat myself. In summary, while SEPAS views this project as one for the empowerment of women, it does so for the wrong reasons: income generation and training. While the credit seems to have a positive effect on the *socias'* income, the project has failed in supporting them in their business endeavours, in the same way that it has not provided adequate training. However, whether planned or unexpectedly, the project has been very successful in empowering women through capacity building and support networks.

#### 6.2.4 On Social Change

SEPAS' vision is "to promote human dignity and rights through its support of grassroots organizations, so that people can lead their own destiny in a more just world" (SEPAS, 2003). The institution has a very progressive mandate driven towards social transformation by providing spaces for the people to empower themselves and effect change at a macro level. SEPAS, as a church organization, is heavily influenced by the religious principles of social justice, peace, equality, etc. but it does not impose its religious beliefs on its participants and partners. Yanapanaku is a poverty reduction project that certainly shares the institution's vision. In this sense, it views credit only as part of a bigger strategy for social change. Although it still needs to improve its methodologies, Yanapanaku aims at reducing poverty not just through the provision of loans, but also through training and education, encouraging participation, supporting microenterprises, stimulating the group process, and providing spaces for women to network and learn skills. Credit provision is only a part of this.

#### 6.2.5 On Poverty Reduction

SEPAS's view of poverty is broad. It sees it as the result of macro and international economic, social and political structures as well as endogenous conditions. It does not share the economic definition of poverty of most of the organizations that work in the field (such as FONCRESOL) and therefore, as pointed out above, it does not see credit as the only tool for poverty reduction. SEPAS' main problem is translating this

view into action within Yanapanaku, and this is the key area in which it needs to build its capacity as an institution. According to the *socias*' subjective perception, the project is doing one thing very well: its credit methodology and delivery work towards income increase. The project provides small loans at low interest rates with a long time for repayment and an open policy on loan use. This allows the *socias* to receive a small capital that they can invest in their small businesses, without compromising their ability to pay it back. As one *socia* explains, "this credit is helping a lot of people, a lot of people that have very little; they can take a loan, buy a couple of things, sell them, pay back the loan and get a bigger loan, and so on so forth, this way they can build their little houses and move forward in life..."<sup>59</sup> This perception that the credit helps one 'move forward' in life is shared by 97% of *socias*, who believe that the credit has helped them improve their economic situation. It is harder to measure the impact of credit on other aspects of poverty such as illiteracy, malnutrition, life expectancy, access to health and education, and social exclusion. In terms of illiteracy, I did have baseline information on it and I was able to compare the before-and-after rate; this rate of 80% literacy in the client group did not change. A few *socias* (2% of total surveyed) suggested receiving literacy courses as part of the training, specially since the project has such a long term life span that would allow it to take the time needed to teach people how to read and write; SEPAS has received this idea positively and is exploring the possibility of implementing it this year. It was hard to measure health indicators such as malnutrition, life expectancy

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<sup>59</sup> Anonymous interview with a member of communal bank Buena Vista, September, 2003.

and access to medical services. First, I lacked baseline data on these. Second, I was only able to measure access to health but not malnutrition or life expectancy. All the women in the project have a medical insurance provided by the government that covers their children's vaccinations and other basic medical expenditures. However, they have to pay for their own medical needs; most women rely on home remedies and traditional medicine for their ailments, spending very little per year on health (under 100 Bolivianos on average). This information does not tell much about whether the credit has improved their access to health services or not. However, it would be expected that an increase in income would cause an increase in access to medical care. In terms of social exclusion, it can be said that this and other microfinance projects have provided a space for the ample participation of the poor in financial activity, making the poor important economic actors in the country.

It is unfortunate that SEPAS does not have baseline information in order to carry out a comparative study on the effect of the credit on income and other aspects of poverty. However, being in the project is regarded by the vast majority of the *socias* as a very positive experience. When asked if SEPAS should keep the project one *socia* said: "I would keep this program because people need it, because nobody else wants to give us cash. With this loan, people move forward, without this loan we wouldn't be able to do anything..."<sup>60</sup> Another *socia* added: "SEPAS should keep it, especially for new people and for those who live outside of district 12. They should keep it for those who need the

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<sup>60</sup> Anonymous interview with member of communal bank Nazareth, September 2003.

money, the poor people, not for those who make a lot because the banks approve their loans. They should keep it for those who need the money and can only put their work as collateral...”<sup>61</sup> Both responses hint at the value of credit as a poverty reduction tool.

#### 6.2.6 On Long-Term Planning

SEPAS has worked in Potosí for over twenty years, and Yanapanaku is on its fourth year, planning on operating for another four. It is safe to assume that the institution has a plan for the project for the long-term. Financially speaking, although the project is stable, it barely covers its expenses. If it plans on extending its training component it will need to find extra sources of funding. Another financial aspect in question is the issue of how to use the money that is not being loaned to the *socias* (about two thirds of the 50,000). According to FONCRESOL, SEPAS is wasting a good investment opportunity by letting the money sit in the bank. FONCRESOL believes that SEPAS should use this amount in loans so that the money can earn a higher interest rate than what it currently makes in the bank. In this sense, FONCRESOL thinks that SEPAS should either increase the amount of money loaned to the current *socias* and/or increase the number of communal banks that it has. SEPAS wants to do neither. It believes that it does not have the institutional capacity to increase its number of communal banks and that the *socias* benefit the most with small loans and not larger ones. This ongoing debate clearly illustrates the debate in the field between the self-sustainability approach

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<sup>61</sup> Anonymous interview with member of communal bank La Pastoral, August 2003.

and the poverty approach. FONCRESOL prioritizes *breadth* and *scope* of outreach, while SEPAS favours *depth*.

My main recommendation for the project is that it defines its lines of action more clearly. It needs to answer questions such as:

- Is it a poverty reduction or a women's empowerment project? Or both? What would it mean to be either?
- How does it feel about the participation and decision-making power of its borrowers? Is it willing to sacrifice its objectives (such as long-term group savings, and training on social and economic aspects) for the real wants of its participants, therefore changing its original objectives? Or, does it believe that the participants should comply with its requirements since they would, in the end, benefit more this way than if they determined themselves the project lines?
- Is there space and interest in the project for microenterprise creation? Does the project have the capacity to promote and support these?
- How much time and resources does the project want to invest on training and education? In which areas is it going to train the *socias*?

As I have mentioned earlier, the project is entering an important phase in which the communal banks are maturing and begin to ask "and now what?" Although the *cajas* have their own identities, I sensed that a deeper group identity is missing and perhaps this may be the reflection of the lack of a clear vision of the project in general. It is necessary

that SEPAS define clearly its vision for the future and that it works with this vision in mind. Furthermore, a project cannot have a vision without having a strategy on how to accomplish it. This project needs to rework its proposal and design, not only activity timelines, but also expected results matrices, verifiable indicators, means of verification, risk analysis, inputs, etc. Once such strategic plan is designed in consensus, it must be followed closely, adhering to dates and using it as a reference during the operationalization of the project.

### **6.3 Bringing it all Together**

The case study of SEPAS, a small poverty oriented NGO, and its microfinance project Yanapanaku, has been enlightening in understanding some of the real-life dynamics of microfinance. The effect of the project on its participants has been generally positive, providing low cost financial services to women with small business, giving them a space where they can network and develop leadership and administrative skills, sharing with them a progressive and socially driven philosophy, and raising their income. Some of the challenges that the project faces are: expanding its savings services, reaching the poorest of the poor, ensuring that the women control their loans, providing training on economic and social aspects, and defining its own long-term vision and identity.

Thinking in terms of the most important debates in the literature, the three main issues discussed are: the ability of microfinance to reach the poorest, to empower women, and to reduce poverty. The findings from this study suggest that microfinance, poverty

oriented, does not reach the poorest of the poor, has a limited impact on women's empowerment and other social aspects, but has, as perceived by the participants, a positive effect on their economic lives. How does this translate into an overall impact on poverty? Using the broader definition of poverty, one that incorporates measurements of material well-being, capabilities and social exclusion, it can be said that microfinance has a limited effect on poverty reduction but that it has intrinsic value for the poor; and that it has a real potential, if carried out in a certain manner, to have a much greater impact.

Microfinance's approach should be people centred, attempting to meet the needs of the poor. It should meet participant demand, providing low cost financial services beyond credit. It should target and reach both the less poor and the poorest of the poor, effectively impacting the later. It should empower women ensuring that they control most or all of their loans; training them in social and economic aspects such as family violence, nutrition, accounting, collective ownership, community leadership, etc; encouraging them to participate in their neighbourhoods and communities; supporting their microenterprises to ensure income generation; and, providing support in the form of a safe and comfortable space where women can discuss issues important to them and develop networks and strategies. It should hold a holistic view of credit that incorporates capacity building, supports the group process through an emphasis on solidarity credit (group lending), and generally works towards social change. It should have a demonstrated positive impact on the level of poverty of those it targets and help to improve, directly or indirectly, other aspects of its participants' poverty such as literacy,

malnutrition, access to health and education and social exclusion. And finally, it needs to have a long-term vision and a strategic plan with clear objectives, as well as be financially stable.

The key issue is the perception and interpretation of the purpose of microfinance by international donors, implementing institutions and some authors in the field. Those within the self-sustainability approach view microfinance as an *effective* poverty alleviation tool. But their criteria of what *effective* means derive from a supply side perspective, as opposed to a demand side one. This means that they see microfinance as the best poverty alleviation tool there is, based on limited funding as the main criterion. Because of the diminishing funds in the international aid industry there is a push for cost-effective development activities and microfinance is seen as the most cost-effective development tool (although authors such as Mosley have proved that this is not always the case - Mosley, 1999). So, from the supply side or institutional needs analysis, microfinance is the best activity to carry out in order to alleviate poverty. However, viewed from a demand side criterion, that of the poverty approach, microfinance is not the *best* poverty alleviation tool; at best, it is one of *many* tools for poverty reduction. Through this perspective one can see how, as Matin et al. point out, microfinance meets most of the financial needs of the poor but does not meet other social needs (Matin et al., 2002). Therefore, microfinance needs to be accompanied by other development strategies, strategies that may prove to be less cost-effective than microfinance but better suited to meet the demands of the poor. Microfinance has intrinsic value in itself in that

it provides an important service valued by the poor, and therefore it should continue to exist and improve. However innovations in the field need to be made according to the real needs and wants of the poor and not according to institutional needs or the market.

The important players and thinkers in the field need to shift their view on microfinance. They need to stop seeing its purpose as ‘providing financial services to as many people as possible using the least amount of funding’ and change it to ‘providing financial services that are valued and needed by the poor and that will result in a real improvement in their lives.’

#### **6.4 Concluding Remarks**

The purpose of this study was to determine the effects of a small poverty oriented microfinance project on its participants, in order to draw some insight on the more general effect of microfinance on poverty. I carried out a five-month evaluation of the activities of a small NGO that works in the poorest city of Bolivia and targets about 300 urban poor women. This evaluation was both qualitative (participant observation, semi-structured interviews and document analysis) and quantitative (surveys). I then constructed a framework for evaluation based on six criteria: meeting participant demand, reaching the less poor, empowering women, reducing poverty in its broader sense, striving for social change, and having a long-term vision. With this criteria I was able to assess the activities and outcomes of the project, coming to the conclusion that, in this case, microfinance, poverty oriented, does not reach the poorest of the poor, has a

limited impact on women's empowerment and other social aspects, but has, as perceived by the participants, a positive effect on their economic lives. As mentioned in the beginning of the study, I did not expect one project to meet all these criteria and I would like to commend the work of SEPAS for its achievements.

This study had several limitations, for example, I only studied one microfinance project instead of comparing two or more, which would have allowed me to have a broader vision of the subject. Second, I did not have baseline data that would enable me to assess the 'before' and 'after' situation of the participants. Finally, my fieldwork only lasted five months, while some of the most influential studies in the field take several years to complete. However, I see the real value of this study as that of ground laying work that has helped build the capacity of the institution, as well as drawing important insight from a *small* microfinance NGO that will hopefully be useful to further studies in assessing the real impact of microfinance on those it targets.

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**Appendix A**  
**Map**

**BOLIVIA – SOUTH AMERICA**



**Appendix B**  
**Survey**





<b>Cual es su capital?</b>								
<b>Cuántas horas a la semana trabaja en sus actividades económicas?</b>								
<b>Cuántas horas a la semana trabaja en tareas del hogar?</b>								
<b>Pretende permanecer en sus actividades económicas?</b>	S N	S N	S N	S N	S N	S N	S N	S N
<b>Si esta casada, en que trabaja su esposo?</b>								
<b>Cual es el ingreso por mes de su esposo?</b>								
<b>La ayudan en su trabajo sus hijos menores de 18 años?</b>	S N	S N	S N	S N	S N	S N	S N	S N
<b>En que?</b>								
<b>Tiene su familia otros ingresos?</b>	S N	S N	S N	S N	S N	S N	S N	S N
<b>Que ingresos?</b>								
<b>Cuanto?</b>								
<b>Cual es el ingreso total de su familia por mes?</b>								
<b>Cuanto gasta su familia por mes en el mercado?</b>								
<b>Cuanto gasta en vivienda/renta?</b>								
<b>Cuántas veces al año compra ropa?</b>								
<b>Cuanto gasta en ropa?</b>								
<b>Cuanto gasta en estudios?</b>								
<b>Cuanto gasta en salud? Gastos imprevistos?</b>								





<b>Cuanto?</b>								
<b>Que tipo de capacitacion recibio?</b>								
<b>Si no recibio, quisiera recibir capacitacion?</b>	S N	S N	S N	S N	S N	S N	S N	S N
<b>En que?</b>								
<b>Conoce bien los estatutos y reglamentos de su caja?</b>	S N	S N	S N	S N	S N	S N	S N	S N
<b>Conoce lo que es la cuenta interna?</b>	S N	S N	S N	S N	S N	S N	S N	S N
<b>Conoce lo que es su libreta?</b>	S N	S N	S N	S N	S N	S N	S N	S N
<b>Quisiera que sus ahorros siguleran siendo obigatorios?</b>	S N	S N	S N	S N	S N	S N	S N	S N
<b>Algun otro comentario?</b>								

**Appendix C**  
**Interview**

## GUION DE LAS ENTREVISTAS A LAS SOCIAS DE LAS CAJAS COMUNALES

**Maria Urbina**

### Objetivo de las Entrevistas

Obtener información de más profundidad que aquella recogida por las encuestas. A través de la confianza establecida con las socias se espera sobrepasar respuestas superficiales y “apaciguadoras” e indagar motivaciones, razones y circunstancias reales.

### Parte 1- Familiarización

El objetivo de estas preguntas es tanto como recaudar un poco de información sobre las familias, circunstancias y realidad social y cultural de las socias, como también hacerlas sentir un poco más cómodas al hablar de sus vidas antes de entrar en temas mas objetivos.

Explicación de que la entrevista es anónima, confidencial y voluntaria y que será grabada.

- Es usted de aquí de Potosí? De dónde es? Porqué se vino? Hace cuánto tiempo? Le gusta aquí?
- Está casada? Tiene hijos? Tiene al resto de su familia aquí? Quiénes viven en su casa?

### Parte 2 – Historia Económica

El objetivo de estas preguntas es conocer la actividad comercial de la persona en detalle.

- Qué actividad o actividades económicas realiza? (importante saber las dos actividades principales)
- Desde hace cuánto tiempo?
- Qué hacía antes?
- Por qué decidió comenzar a hacer la actividad/es económica/s que ahora realiza?
- Cómo evaluó usted el que ésta/s pudieran ser actividades viables económicamente?
- Cómo le va con su actividad? Vale la pena? Tiene mucha competencia? Va a quedarse trabajando allí?
- La ayuda alguien de su familia en esta actividad?
- (Si tiene esposo) Qué actividad realiza su esposo? Esta empleado o trabaja por cuenta propia?
- Cuáles piensa usted que son sus destrezas? (tejer, repostería, contabilidad, pintura en tela, cosido a máquina, etc.)

- Si no está trabajando usando estas, piensa que podría usar sus destrezas para proveerse de ingresos económicos?

### Parte 3 – Crédito Como Herramienta para la Reducción de la Pobreza

El objetivo de estas preguntas es entender las motivaciones de las mujeres a tomar crédito y si éste ha ayudado en alguna manera a su condición socio-económica.

- Por qué decidió usted pedir crédito?
- Por qué ha optado por una caja comunal en vez de pedir crédito individual?
- Piensa que sin el crédito usted hubiera podido realizar la actividad económica que ha hecho?
- Dentro de su familia, ha este crédito ayudado a que usted tenga un poco más de independencia de su esposo? O ha causado problemas en su casa?
- Piensa que vale la pena endeudarse para poder tener acceso a dinero/capital?
- Cómo maneja usted los pagos que debe de hacer mensualmente? Es mucho estrés cada mes?
- En general, piensa usted que el crédito es la solución a la pobreza?

### Parte 4 – Experiencia en la Caja Comunal

El objetivo de estas preguntas es comprender las razones que mantienen a las socias dentro de las cajas comunales y los problemas con los que se enfrentan ellas.

- Cuánto tiempo tiene en la caja? Cuántos ciclos?
- Cómo se formó su caja? Quién, Por qué, Cómo?
- Por qué se reúne usted con su caja?
- Qué le ha parecido la experiencia de la Caja Comunal?
- Ha tenido usted problemas con su caja? O ha tenido su caja problemas en general? Por ejemplo cuáles? Cómo los resolvieron?
- Se ha involucrado su caja con su Junta Vecinal?
- Su caja ha hecho alguna obra o servicio social en su comunidad?
- Cuál diría usted es el principal interés de su Caja? Capacitación, Participación o Crédito?
- Conoce lo que es la cuenta interna de su Caja? Sabe cuánto dinero hay en esta? Para qué quisieran ustedes usar este dinero en un futuro?
- Qué actividades realiza su Caja para producir ahorros para su cuenta interna?

### Parte 5 – Evaluación de Metodología e Implementación de SEPAS

El objetivo de estas preguntas es conocer las percepciones de las clientes de SEPAS en relación a su trabajo y metodología.

- Qué conoce de la organización que le esta proveyendo crédito? Sabe su nombre, etc.?
- Qué le ha parecido el trabajo de su promotora y de la organización en general?

- Qué le ha parecido la frecuencia de las reuniones, el número de ciclos, y los reglamentos generales de los estatutos? Cambiaría algo?
- Cómo vé el área de capacitación? Quisiera más capacitación? En qué áreas y por qué?
- En el gran esquema de las cosas, si usted estuviera encargada del Programa de las Cajas Comunes en Potosí, lo mantuviera o lo eliminaría? Por qué?

**Appendix D**  
**Evaluation Report**

Secretariado de Pastoral Social Diócesis de Potosí



REPORTE DE EVALUACIÓN

**ASPECTO ECONOMÍA SOLIDARIA  
DEL PROYECTO  
“APOYO A LA PARTICIPACIÓN  
CIUDADANA, CONTROL SOCIAL Y  
ECONOMÍA SOLIDARIA EN LA DIÓCESIS  
DE POTOSÍ”**

**MARÍA EUGENIA URBINA MANDÉ**

COOPERANTE

Miércoles 26 de Noviembre de 2003  
Potosí, Bolivia

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## **INTRODUCCIÓN**

Este reporte es el producto de mi trabajo con SEPAS de Julio a Diciembre del año 2003, auspiciado por la agencia *Canadian Crossroads International*. El objetivo de esta cooperación ha sido la realización de una evaluación del aspecto de Economía Solidaria del proyecto de “Continuación del Apoyo a la Participación Ciudadana, Control Social y Economía Solidaria en la Diócesis de Potosí.” Este proyecto tiene como objetivo general “mejorar las condiciones de vida y de ingresos de las juntas vecinales de los distritos 10, 11 y 12 del Municipio de Potosí y de las comunidades campesinas del Cantón Esquiri del Municipio de Puna; mediante el apoyo a la participación ciudadana, el control social y la economía solidaria.”<sup>1</sup> En particular, mi evaluación se ha concentrado en el distrito 12 del Municipio de Potosí y se ha enfocado en las cajas comunales.

De acuerdo a la propuesta del proyecto, los objetivos específicos de este en el área de Economía Solidaria son:

- Consolidar y difundir la metodología de cajas comunales como una alternativa económica y organizativa que dinamice la economía local y las juntas vecinales.
- Apoyar las iniciativas económicas de grupos organizados y promover la conformación de microempresas.

## **Objetivos Generales de la Evaluación**

Esta evaluación tiene dos propósitos generales:

- 1) Medir hasta qué punto se han cumplido los objetivos específicos del proyecto mencionados, y
- 2) Proporcionar herramientas de evaluación para el seguimiento y sistematización de este proyecto.<sup>2</sup>

<sup>1</sup> Secretariado de Pastoral Social Diócesis de Potosí – Bolivia. “Continuación del apoyo a la participación ciudadana y a la economía solidaria en la Diócesis de Potosí – Bolivia.” Agosto, 2002. Potosí, Bolivia.

<sup>2</sup> De aquí en adelante se usará el término Proyecto para definir el área de Economía Solidaria del proyecto de “Continuación del apoyo a la participación ciudadana y a la economía solidaria en la Diócesis de Potosí – Bolivia.”

Es decir, este reporte no sólo se enfocará en los resultados de la evaluación y el análisis de estos, sino que también pretende proporcionar información metodológica que sirva en un futuro para la continuación de la evaluación del programa. De esta manera, la presente evaluación es un *estudio de ajuste*.

### **Objetivos Específicos 1**

Para cumplir el Objetivo General 1, el estudio espera responder las siguientes preguntas:

#### **1) Evaluación de las Circunstancias de las Mujeres**

- a. Información Demográfica
  - i. ¿Quiénes son las Socias?
- b. Sus Necesidades
  - i. ¿En qué actividad económica trabajan?
  - ii. ¿Qué quieren?
- c. Sus Habilidades
  - i. ¿Qué potencialidades tienen?
  - ii. ¿Cómo pueden usar estas potencialidades?
- d. Su Satisfacción
  - i. ¿Están contentas con el trabajo de SEPAS?
  - ii. ¿Qué puede hacer SEPAS para mejorar el programa?

#### **2) Evaluación del Programa**

- a. Crédito
  - i. ¿Es una herramienta útil?
  - ii. ¿Cuánto ha beneficiado a las socias?
- b. Capacitación
  - i. ¿Ha sido suficiente?
  - ii. ¿Ha sido en las áreas adecuadas?
- c. Participación
  - i. ¿Ha mejorado la autoestima de las socias?
  - ii. ¿Han trabajado las cajas con su Junta Vecinal?
- d. Micro-emprendimiento
  - i. ¿Existe un espacio para que éste ocurra?
  - ii. ¿Qué se necesita para llegar a ésta etapa?

## **Objetivos Específicos 2**

Para cumplir con el Objetivo General 2, este reporte pretende contestar las siguientes preguntas:

- a. ¿Cuáles son las limitaciones de este estudio?
- b. ¿Qué sugerencias se pueden hacer para futuras evaluaciones?
- c. ¿Qué propuestas prácticas se pueden hacer para el seguimiento y sistematización de la experiencia de las cajas comunales?

Un proyecto como este, basado en principios económicos como la noción del micro-crédito, tiene un gran reto. Este reto es el de medir costos económicos en relación a beneficios sociales que no pueden ser traducidos a Bolivianos. La tarea es entonces tratar de:

- 1) Encontrar métodos de evaluación que tomen en cuenta este reto.
- 2) Considerar los beneficios sociales por sí solos de manera que la evaluación no sea economista.

SEPAS es una organización de iglesia sin fines de lucro con una visión social altamente progresiva. Por esto, cualquier evaluación de sus programas o proyectos debe de tener en cuenta esta visión social, de manera que verdaderamente mida los beneficios y costos reales a sus clientes y a la institución en sí.

## **ASPECTOS METODOLÓGICOS**

### **Metodología Propuesta y Metodología Realizada**

Esta evaluación es el resultado de un estudio cualitativo y cuantitativo. La manera de que este estudio tuviera mérito y validez ha sido la realización de una investigación comprensiva que se expandiera a través de las más de 250 socias pero que al mismo tiempo indagara a profundidad los “porqués.”

En la metodología propuesta originalmente durante el diseño de la evaluación se trabajaría directamente con 5 de las 15 cajas a ser estudiadas. Este trabajo permitiría hacer un seguimiento profundo de 3 meses de las dinámicas de las cajas comunales a través del método de investigación de observación participativa. De cada una de estas 5 cajas, se escogería a 6 socias con las que se llevaría a cabo entrevistas semi-estructuradas a profundidad, entrevistando un total de 30 mujeres. El objetivo de las entrevistas sería indagar las motivaciones, razones y circunstancias reales de las mujeres con relación a su actividad económica, el crédito y su experiencia en la caja comunal.

Al mismo tiempo se harían alrededor de 250 encuestas con la gran mayoría las socias de las 15 cajas comunales. Estas encuestas serían llenadas por cada mujer de manera individual y confidencial. El objetivo de las encuestas sería la recolección de gran cantidad de información demográfica y económica de las socias de las cajas así como también información acerca de su satisfacción con el proyecto.

Al comienzo de la investigación se decidió trabajar con 4 cajas comunales y no 5, ya que de ésta manera se tendría más tiempo para hacer un seguimiento real. Las cajas comunales con las que se trabajó fueron: La Pastoral en Villa Venezuela, Nazareth en Villa Nazareth, Buena Vista en Villa Buena Vista y Virgen de Urkupiña en Villa Copacabana. De la misma manera, se realizaron 24 entrevistas en vez de 30.

Con relación a las encuestas, se hizo claro al comienzo del diseño de las encuestas que aquellas mujeres que no podían leer y escribir o que no hablaran Español, no podrían llenar las encuestas por sí mismas. Este problema combinado con la falta de tiempo para

hacer encuestas individuales llevó a la reflexión de qué método sería el más adecuado. Se decidió hacer encuestas grupales<sup>3</sup>, en las que cada caja comunal se dividiera en grupos de 4 a 8 personas, que serían encuestadas oralmente por un/a encuestador/a.

En resumen, las principales diferencias entre la metodología original y la llevada a cabo son:

<b>Metodología Propuesta</b>	<b>Metodología Realizada</b>
Observación Participativa de 5 Cajas Comunales	Observación Participativa de 4 Cajas Comunales
Entrevistas a 30 socias	Entrevistas a 24 socias
Encuestas Individuales Escritas a 250 socias	Encuestas Grupales Orales a 250 socias

### **Recursos y Retos**

Afortunadamente la investigación contó con el significativo apoyo de las tres integrantes del Equipo Urbano, quienes asistieron en el diseño de la investigación y en las encuestas. También ha sido de gran ayuda el equipo del proyecto “Promoción Humana Parroquial de la Parroquia La Candelaria en el distrito 12.” Este equipo integrado por Dayne Loayza, Martín Condex, y Jimena Choque colaboraron en la realización de las encuestas. En particular, Dayne Loayza y Jimena Choque asistieron en el vaciado de información a una base de datos y en la realización del análisis estadístico.

El mayor reto enfrentado durante la realización de la investigación fue el ganar la confianza de las socias, siendo extranjera y de alguna manera relacionada a SEPAS, me tomó alrededor de un mes de constante presencia en sus reuniones y actividades para ser aceptada. El factor tiempo también jugó un papel importante, así como también los sucesos a nivel nacional en el mes de Octubre.

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<sup>3</sup> Guías Entrevistas Grupales

## **MARCO TEÓRICO PARA EL ANÁLISIS DE LOS RESULTADOS DE LA EVALUACIÓN**

### **Alcance y Sostenibilidad del Proyecto**

En principio, cualquier evaluación completa de una organización microfinanciera requiere un análisis de costos y beneficios ó costos y efectividad para comparar el valor social del programa de crédito contra su costo social. En práctica, es muy difícil y costoso medir el valor y costo social. La mayoría de las evaluaciones, entonces, usan dos medidas similares: Alcance y Sostenibilidad. Lo siguiente esta adaptado de la teoría de Mark Schreiner, de la Universidad de Washington, quien ha investigado extensivamente la microfinanza en Bolivia.

El Alcance es el valor social del producto de una organización microfinanciera en términos de seis factores: profundidad, beneficio a los usuarios, costo a los usuarios, amplitud, longevidad, y abarque. El Alcance es generalmente representado por el sexo y nivel de pobreza de los clientes, el tamaño y duración del préstamo, el número de usuarios, la fortaleza financiera y organizacional de la organización que presta, los costos que lleva el cliente, y el número de productos ofrecidos, incluyendo depósitos.<sup>4</sup>

La Sostenibilidad es la permanencia de la organización. El objetivo a nivel social no es tener organizaciones sostenibles a nivel financiero, sino maximizar el valor social esperado menos el costo social descontado a través del tiempo. En principio, la sostenibilidad no es necesaria ni suficiente para la optimización social. Sin embargo, en práctica, las organizaciones sostenibles tienden a mejorar más que las otras organizaciones las condiciones económicas de sus clientes. La mayoría de las organizaciones no-sostenibles transfieren sus costos a sus clientes en el futuro en excesos de las ganancias disfrutadas por sus clientes ahora. La sostenibilidad no es un objetivo en sí, sino es el medio para mejorar el bienestar social.

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<sup>4</sup> Schreiner, Mark et. al. Microcredit and the Poorest of the Poor: Theory and Evidence from Bolivia. *World Development* Vol.28. No. 2. p.p. 333-346, 2000.

En resumen, el Alcance es el valor social de los préstamos de una organización microfinanciera. La Sostenibilidad ayuda a maximizar este valor social esperado menos el costo social descontado a través del tiempo, incluyendo la ganancia neta a los usuarios, las ganancias o pérdidas de la organización, y el costo social de oportunidad de los recursos utilizados. La Sostenibilidad afecta al Alcance porque la permanencia tiende a crear estructuras de incentivos y limitaciones que hacen que todos los grupos involucrados actúen de manera que aumenten la diferencia entre el valor y costo social.

- Profundidad

La Profundidad del Alcance es el valor que la sociedad le da a la ganancia neta del uso del microcrédito de un cliente. Ya que la sociedad le da más peso a la pobreza que a la riqueza, la pobreza es una buena aproximación para la Profundidad. Por ejemplo, como sociedad, le damos más valor a las ganancias netas de un pequeño préstamo dado a una viuda que a las mismas ganancias netas de ese préstamo a un multimillonario. Es por eso que una organización tendrá mayor profundidad mientras más pobres sean sus clientes.

- Beneficio para el Usuario

Es la percepción del cliente de su propio beneficio.

- Costo al Usuario

Es el costo de un préstamo al usuario. Esto es distinto del costo de un préstamo a la sociedad o a la agencia prestataria. El costo al usuario incluye tanto el precio del préstamo como el costo de la transacción. El precio incluye el interés y cuotas. También incluye costos de oportunidades no monetarios como el valor del tiempo.

- Amplitud

Es el número de usuarios. Cada organización tiene que encontrar el número óptimo.

- Longevidad

Es el tiempo en el que una organización produce préstamos. La Longevidad importa porque a la sociedad le importa el bienestar del pobre no sólo ahora sino también en el futuro.

- **Abarque**

Es el número de servicios ofrecidos al cliente. Las organizaciones con mayor Alcance son aquellas que también ofrecen servicios de ahorro a los usuarios además del crédito.

## **ANÁLISIS DE LOS RESULTADOS**

### **Alcance – Beneficios Netos a la Sociedad**

#### **1) Profundidad**

Como se ha establecido anteriormente, la *Profundidad* es el nivel de pobreza de las clientes de la organización.<sup>5</sup> En el estudio realizado se ha obtenido información sobre diferentes aspectos de las condiciones de las socias. Esta información ayuda a determinar aproximadamente el nivel de pobreza de las clientes del proyecto.

- **Información Demográfica**

La típica cliente del proyecto tiene entre 25 y 46 años (58%), está casada (69%), tiene entre 1 y 3 hijos (36%) y sabe leer y escribir (80%). Lo más probable es que no haya nacido en Potosí (60%) y que tenga alrededor de 6 y 20 años viviendo en la ciudad (58%).

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<sup>5</sup> “El” cliente es referido como “la” cliente, porque sólo 2 de las 241 personas encuestadas fueron hombres, representando el 0,08%.

- **Ingresos**

Este estudio midió el total de los ingresos familiares de las socias (sus propios ingresos, más el de sus esposos -si tienen, más cualquier otro ingreso adicional que tenga su familia). La mayoría de las socias tienen un ingreso total entre 301 y 1500 Bolivianos (61%) al mes, con la mayor concentración de socias teniendo un ingreso total de entre 901 y 1200 (18%). Esto nos indica que existen más clientes del programa con ingresos superiores, que socias sin o con muy pocos ingresos. De manera que el proyecto está trabajando con mujeres que están en o sobre la línea de pobreza.

- **Gastos**

La mayoría de las socias encuestadas gastan entre 301 y 600 Bolivianos al mes en mercado (49%), menos de 100 Bolivianos al mes en vivienda (61%), y entre 101 y 300 en los estudios de sus hijos al mes (37%). La mayoría compran ropa para sus hijos 2 veces al año (40%) gastando entre 301 y 600 Bolivianos (30%). Al año también, la mayoría gasta menos de 100 Bolivianos en salud (37%).

***En relación a la Profundidad, el proyecto no está llegando a los sectores más pobres de la población.*** Es necesario clarificar:

- 1) ¿Cuál es el sector de la población al que se quiere llegar?
- 2) Es un objetivo del proyecto ofrecer crédito a las personas más pobres de la comunidad?
- 3) Si lo es, porqué no se está llegando a este sector? Es la metodología de la caja comunal la más apropiada para cumplir con éste objetivo?

Las personas que tienden a beneficiarse más del microcrédito son aquellas que ya tienen algún capital (por pequeño que sea). Por el contrario, para aquellas personas

que tienen muy pocos ingresos un préstamo con interés es de muy poca ayuda, y hasta puede empeorar su situación económica. El crédito es de mayor beneficio cuando es invertido en una actividad económica, especialmente si es productiva.

## 2) Beneficios a los Usuarios

Es necesario determinar si el proyecto en sí beneficia a sus clientes o no. Existen dos medidas para determinar este beneficio. La primera es la satisfacción de las propias socias, y la segunda es a través de la recolección objetiva de información que determine si el proyecto está cumpliendo con sus objetivos o no. El estudio realizado usó una mezcla de estas dos medidas.

- **Crédito**

En la propuesta del proyecto se plantea:

- El desarrollo, adaptación y sistematización de la metodología de cajas comunales: Crédito de libre disponibilidad a grupos de mujeres con garantía solidaria mancomunada, en ciclos de 6 a 8 meses, con el objetivo de establecer un servicio local de crédito y ahorro.
- La sistematización de la experiencia de cajas comunales peri-urbanas para luego difundir la metodología a otras jurisdicciones.

Está claro que el proyecto ha cumplido con el desarrollo y adaptación del crédito. La sistematización de la experiencia todavía no se ha llevado a cabo.

Al ser preguntadas si el crédito había mejorado su situación económica, un impresionante 97% de las socias dijo sí. Una de las socias entrevistadas expresó: “Yo mantendría el programa porque la gente lo necesita, porque nadie nos quiere dar dinero en efectivo. Con este préstamo la gente aumenta [su capital], sin este préstamo no podríamos hacer nada porque todos nos prestan con más intereses. Y

este interés está muy bueno, pero que no suba más. No queremos que suba el interés.”<sup>6</sup>

De la misma manera, 70% de las socias encuestadas han expresado que el interés está bien. En referencia a la implementación del crédito: Al 65% de las socias le parece bien los montos de dinero prestados. En relación al número y duración de los ciclos, una vez más, la mayoría de las socias pensó que éstos eran apropiados.

La metodología parece ser la apropiada, aunque se recomienda más flexibilidad en los montos prestados ya que una proporción importante de las socias (30%) ha expresado su deseo de que éstos sean más altos. La gran mayoría de las socias está de acuerdo con el que los ahorros sean obligatorios (92%), lo cual demuestra el interés de éstas de aumentar su capital no sólo a través del endeudamiento pero también a través de sus propias contribuciones (sus ahorros). Muchas de las socias están bajo la impresión de que sus ahorros son mayores, al explicarles que sólo eran el 0,5% de sus préstamos, las socias se mostraban decepcionadas. *El proyecto debe de dar más enfoque a los ahorros de las socias.*

*El crédito está cumpliendo con las necesidades de las socias.* Una manera importante de medir si las socias perciben que el crédito las está beneficiando es si estas se prestan más de una vez. El 62% de las socias han solicitado crédito más de una vez.

Sin embargo, el crédito no es una herramienta para reducir la pobreza. La pobreza es un problema estructural, que debe ser tratado a través de medidas macro económicas y sociales. Un préstamo de 1,500 Bs. puede facilitar una pequeña inversión económica, el pago de otra deuda, o el mejoramiento de la vivienda familiar, pero en sí no va a reducir la vulnerabilidad de la socia y su familia, o incrementar el acceso de esta a la educación o a servicios sociales. Es

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<sup>6</sup> Entrevista anónima realizada con una socia de la caja comunal La Pastoral en Septiembre 2003.

por esto que se le debe de dar su lugar al microcrédito, es una herramienta útil para proveer a personas pobres de capital, pero no es la solución a la pobreza de Potosí o del país.

- **Capacitación**

En la propuesta del proyecto se plantea:

- La realización de talleres de capacitación en temas económicos y organizativos por ciclos de crédito.
- La colaboración con otras organizaciones para satisfacer la demanda de capacitación en salud, alfabetización, manualidades, etc.

La realización de talleres se ha llevado a cabo hasta cierto punto, principalmente en el área de manualidades. Sin embargo, poco ha sido la capacitación en temas económicos y organizativos.

El 63% de las socias encuestadas han recibido capacitación, 40% de éstas sólo han recibido durante el primer ciclo. La capacitación recibida varía entre pintura en tela (29%), costura (18%), y capacitación social (autoestima, contaduría, etc.) (17%) entre otras.

El 99% de las socias encuestadas dijeron que querían aún más capacitación, en particular quieren recibir entrenamiento en tejido (20%). Otras áreas populares de posible capacitación entre las socias son costura y pintura. Se mostró muy poco interés en capacitación en el área social (7%). Sin embargo, una socia explicó en una entrevista su interés en recibir capacitación en el área social: “Yo quisiera que hubiera capacitación sobre economía. O sea, a veces tenemos plata pero no sabemos como hacer nuestra economía, porque se gasta y se gasta y no se sabe a donde se fué. Saber cuanto hemos gastado y cuanto tenemos que pagar. Por ejemplo, si yo tengo 100 Bolivianos cómo los puedo llevar.”<sup>7</sup>

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<sup>7</sup> Entrevista anónima realizada con socia de la caja comunal Nazareth en Septiembre 2003.

Una preocupación de las socias es la calidad de la capacitación. Una socia expresó: “En este cuarto ciclo recién estamos recibiendo capacitación de pintura. Ah no, más antes en el primer ciclo llevamos muñequería, pero tampoco nos han enseñado bien, pero lo que hemos podido hemos aprendido.”<sup>8</sup>

*Es importante definir los objetivos en relación a la capacitación, ya que las socias demuestran un alto interés en ésta.* Es necesario contestar las siguientes preguntas:

- ¿Cuánto tiempo y recursos se le quiere dedicar a la capacitación? La capacitación requiere tiempo y energía sumados a las actividades de las cajas. Es necesario decidir el nivel de prioridad dado a ésta.
- En qué áreas se va a capacitar? Existe una contradicción entre la capacitación que las socias quieren recibir, principalmente actividades manuales que no les ayudarán a generar ingresos, y los objetivos del proyecto de aumentar las fuentes generadoras de ingresos de las socias. Es fundamental decidir las líneas del proyecto en este sentido.

- **Potencialidades de las Socias**

En la propuesta del proyecto se plantea como meta que:

- Las potencialidades de las socias sean utilizadas en actividades productivas de manera organizada y sistemática, conformándose 3 microemprendimientos.
- Organización y consolidación de pequeñas unidades productivas artesanales aprovechando las potencialidades de las socias.

Estas metas no se han cumplido, en gran parte por el desconocimiento real de las potencialidades y habilidades de las socias.

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<sup>8</sup> Entrevista anónima realizada con socia de la caja comunal La Pastoral en Septiembre 2003.

Una parte importante de esta investigación se ha enfocado en el estudio de las habilidades de las socias y en la determinación de si éstas usan sus potencialidades para aumentar sus ingresos.

91% de las socias sabe tejer, en su mayoría crochet y palillo. De éstas socias, sólo el 28% teje como actividad comercial o complementaria, el resto teje para sus propias familias. De la misma manera, 67% de las socias hace repostería, pero sólo el 17% lo hace para vender. 69% de las socias hace costura, sólo 14% para vender. Finalmente, 46% de las socias realizan actividades de producción agrícola, sólo el 33% vende.

La razón por la que muy pocas de las socias usan sus potencialidades en actividades económicas es porque no son rentables.

Es necesario:

- Determinar si las socias están interesadas en usar sus potencialidades o aprender nuevas para aumentar su ingreso económico. Si las socias están dispuestas a aprender nuevas habilidades, es necesario saber cuánta energía y tiempo pueden comprometer a éstas.
- Hacer un estudio de mercado donde se evalúe cuáles productos tienen demandas. Una vez hecho este estudio, se puede determinar en qué áreas necesitan entrenamiento las socias.

*Las socias de éste proyecto, en su mayoría, son mujeres que saben leer y escribir (80%), saben contabilidad básica (62%), poseen como mínimo una habilidad manual, tienen experiencia en cargos administrativos (dentro de sus cajas) y tienen un gran deseo de capacitarse. Son éstas las potencialidades que se deben de aprovechar en este proyecto.*

- **Participación**

En la propuesta del proyecto se plantea como meta que:

- El 80% de las cajas comunales hayan desarrollado acciones concretas en beneficio de sus juntas vecinales.
- Las socias de las cajas comunales participen activamente en sus juntas vecinales y que el 60% de las socias formen parte de las mesas directivas.
- A partir de la formación dentro de sus organizaciones las socias eleven su autoestima y participen en diferentes niveles.

El estudio indica que 64% de las socias participan en sus juntas vecinales, sin embargo sólo 5% de éstas forman parte de las mesas directivas. Sólo hay dos cajas comunales que participan activamente con sus juntas pero sin realizar acciones concretas o proyectos en común. 58% de aquellas socias que no están involucradas, al ser preguntadas si les interesaría participar activamente en sus juntas, han respondido que sí. *Esto demuestra la disposición de las socias a participar en sus comunidades y a la necesidad de que SEPAS trabaje directamente con éstas mujeres para lograr este objetivo.*

Aunque no se ha medido directamente, se puede ver a través del método de la observación participativa en las cajas que las socias han ganado confianza en sí mismas al desempeñar cargos en las mesas directivas. Existen varios casos de tesoreras que no saben leer o escribir y que sin embargo realizan bien su trabajo.

- **Necesidades de las Socias**

Al ser preguntadas para qué han usado el crédito, el 64% de las socias lo han invertido en su negocio, el 16% en la construcción de su casa, el 12% en compras personales y el resto en gastos de salud, estudios y pago de deudas. Esto indica que aunque el crédito es de libre disposición, la mayoría de las mujeres deciden usarlo en la inversión de actividades económicas. La mayoría de las mujeres (36%) tiene un capital de menos de 500 Bolivianos. Esto indica que las socias tienen negocios pequeños dentro de la economía informal, que es una economía

de *competencia perfecta* (un mercado donde la oferta es mayor que la demanda haciendo que existan productos uniformes, y por ende, mucha competencia). No existe una actividad económica dominante entre las socias pero las actividades más comunes son tejido (14%), venta de comida y refrescos (10%), venta de ropa (8%) y tienda de barrio (6%).

***Después de realizar este estudio se percibe la necesidad de las socias de obtener capacitación de calidad sobre cómo decidir qué actividades económicas hacer y cómo administrarlas.***

Una necesidad tangible para las socias es aquella de tener una caja comunal en la que ellas se sientan dueñas de su dinero, y que sientan que tienen control sobre el destino de éste.

### **3) Costos a los Usuarios**

Ser parte de una caja comunal requiere el tiempo y energía de las socias, de la misma manera el recibir crédito les impone un costo económico. Principalmente, los costos de las socias son tiempo e intereses (más cualquier otro costo de transacción), más el costo intrínseco de tener una deuda.

- **Tiempo**

El 50% de las socias trabaja en sus actividades económicas entre 21 y 50 horas a la semana. De la misma manera, 40% de las socias trabaja en tareas del hogar entre 21 y 50 horas a la semana. Todas las socias son amas de casa además de trabajar en sus actividades económicas, de manera que cuentan con muy poco tiempo para reunirse en sus cajas, formar parte de sus juntas vecinales y recibir capacitación.

En una entrevista, una de las socias ha expresado: “Muchas veces nos reunimos a mirarnos las caras, nos aburrimos sin actividades...”<sup>9</sup> De la misma manera, otras socias han comentado que desean que el tiempo usado en las reuniones de las cajas (las cuales duran 2 horas, una vez por semana) sea aprovechado en capacitación, etc.

*Es importante conocer las prioridades de las socias y realizar actividades de calidad que les sean útiles y no desperdicien su tiempo.*

- **Intereses**

Como se ha mencionado anteriormente, el 70% de las socias piensan que el interés está bien, pero la mayoría insiste en que no suba.

#### **4) Amplitud**

Existen más de 250 socias en el proyecto conformando 16 cajas. SEPAS tiene 3 personas dedicadas a estas cajas, más dos personas del Centro Parroquial Virgen de la Candelaria. Sin embargo, las 3 integrantes del Equipo Urbano también dedican su tiempo al área de Participación Ciudadana, trabajando directamente con los líderes de las juntas vecinales, además de estar involucradas en comités, redes, etc. En realidad, el equipo urbano dedica alrededor de la mitad de su tiempo a las cajas comunales. Esto hace difícil el cumplimiento de los objetivos de las cajas como más capacitación y seguimiento. Es necesario definir:

- ¿Se quiere aumentar el número de cajas o se prefiere mantener o reducir el número de éstas?
- ¿Qué recursos se necesitarían para cumplir con los objetivos propuestos con un mayor número de cajas?

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<sup>9</sup> Entrevista anónima con socia de la caja comunal Nazareth en Septiembre, 2003.

## 5) Longevidad

Este proyecto lleva 4 años en los que ha funcionado con éxito (en términos de repago y ganancias). Muy pocas cajas están en su primer ciclo (4 cajas), y la mayoría están en su 3er ó 4to ciclo (10 cajas). El proyecto está entrando en una fase interesante donde se van a comenzar a observar resultados tangibles. Es importante que el proyecto defina:

- ¿Cuántos años más se quiere continuar?
- ¿Cuántos ciclos se quiere que duren las cajas? (8 ó 9 ciclos)
- ¿Qué tipo de indicadores se quieren usar al final del proyecto para evaluarlo y qué tipo de indicadores se quiere usar después del proyecto para medir su impacto?

## 6) Abarque (Número de Servicios Ofrecidos al Cliente)

Hasta ahora el proyecto ha ofrecido crédito grupal a través de la metodología de la caja comunal, siendo éste el único tipo de servicio ofrecido a sus clientes. Ha habido cierta demanda para créditos individuales, pero no ha sido significativa. Esta estrategia (un sólo tipo de servicio) parece funcionar bien, ya que SEPAS no tiene la capacidad institucional para administrar más de un tipo de préstamos. En este caso, el ofrecer un solo tipo de servicio es lo eficiente.

## Sostenibilidad

### 1) Beneficios Netos Al Cliente

Los beneficios para las clientes son:

$$B = Cr + C + P + Mc$$

<b>B:</b>	Beneficios
<b>Cr:</b>	Crédito
<b>C:</b>	Capacitación
<b>P:</b>	Participación

**Mc:** Apoyo al Microemprendimiento

Los costos para las clientes son:

$$C = T + I + Ct + Cd$$

- C:** Costos
- T:** Tiempo
- I:** Intereses
- Ct:** Costos de Transacción
- Cd:** Costo de tener Deuda

La siguiente es una propuesta sencilla para medir el Beneficio Neto de las socias de manera matemática:

- Cr:** La cantidad del crédito prestado (por ejemplo 1.200 Bs en un ciclo)
- C:** El precio que costaría tomar la misma capacitación con una organización privada (por ejemplo, un curso de repostería, 200 Bs en un ciclo)
- P:** Un número *dummy* (representativo). Si la socia se siente involucrada en su junta vecinal o en su caja y quiere seguir, se le asigna una cantidad  $x$  positiva, si no está involucrada en su junta o en su caja, se le asigna una cantidad  $x$  negativa. (Por ejemplo, en este caso 100, porque la socia está participando). Si el nivel de participación es neutro, se le asigna 0.
- Mc:** Las ganancias de la microempresa (por ejemplo una organización que produce tejidos, y gana 3.000 Bs. por ciclo).
- T:** Se calcula cuánto deja de ganar la socia en un ciclo por atender a las reuniones, a la capacitación y a las actividades de microemprendimiento. (Por ejemplo, una socia que gana 30 Bs al día, gana 2.5 Bs la hora (30/12), si está involucrada 5 horas a la semana en su caja, capacitación, etc., pierde 12,50 Bs a la semana y 400 Bs. en un ciclo de 8 meses).
- I:** Los intereses pagados sobre los 1.200 (288Bs).
- Ct:** Gastos en fotocopias, taxis, etc. (Por ejemplo 20 Bs.)
- Cd:** Este número va en proporción al tamaño de la deuda, mientras más grande ésta, más grande es el costo de tener la deuda. Una vez más se asigna un número *dummy* o peso. Este costo depende de cada socia, pero en éste caso le designaremos 0,1. El Costo de deuda es 0,1 multiplicado por el crédito.

$$\begin{aligned}
\text{Beneficios Netos} &= \text{Beneficios} - \text{Costos} \\
&= (\text{Cr} + \text{C} + \text{P} + \text{Mc}) - (\text{T} + \text{I} + \text{Ct} + \text{Cd}) \\
&= (1200 + 200 + X + 3000) - [400 + 288 + 20 + (0,1 \times 1200)] \\
&= (4400 + X) - (828) \\
&= 3,692 + X
\end{aligned}$$

$$X = 100$$

$$= 3,572$$

Se puede observar que la socia en este caso es beneficiada. Pero supongamos que la misma socia ha recibido muy poca capacitación (50Bs), no participa en su caja o en su comunidad (0), y no ha sido apoyada en su microemprendimiento de manera que éste no ha funcionado (0):

$$\begin{aligned}
\text{Beneficios Netos} &= \text{Beneficios} - \text{Costos} \\
&= (\text{Cr} + \text{C} + \text{P} + \text{Mc}) - (\text{T} + \text{I} + \text{Ct} + \text{Cd}) \\
&= (1200 + 50 + X + 0) - [400 + 288 + 20 + (0,1 \times 1200)] \\
&= (1250 + X) - (828) \\
&= 422 + X
\end{aligned}$$

$$X = -100$$

$$= 322$$

Esta socia todavía es beneficiada por el proyecto, porque el crédito es lo suficientemente significativo. Sin embargo, su beneficio neto es pequeño.

En este proyecto el beneficio de las socias siempre es mayor que su costo. Es decir, todas las socias obtienen ganancias netas. Esto es demostrado por su continuada participación en el proyecto. La pregunta clave es cómo hacer que ésta diferencia sea la mayor posible.

## **2) Ganancias o Pérdidas del Proyecto**

El siguiente es un análisis superficial del estado de la cartera del proyecto ya que la información ha sido difícil de obtener. Actualmente<sup>10</sup>, el monto de la cartera es 232.274,38 Bs., y el interés ganado hasta ahora en este año ha sido 31.961,32 Bs. SEPAS tiene además 156.325,62 Bs. (el resto de los 50.000 USD prestados por PEAP FONCRESOL Nacional en Mayo).<sup>11</sup>

A partir de Mayo, los intereses han pagado el sueldo de una trabajadora a tiempo completo, aportes al seguro, y gastos administrativos relacionados a PEAP como correspondencia, asistencia a talleres, materiales, y teléfono. Antes de Mayo, estos gastos eran cubiertos en parte por los intereses y en parte por el capital.

De esta manera, a partir de Mayo el proyecto ha sido autosuficiente ya que de sus propias ganancias (intereses) se han pagado parte de los insumos. Es importante definir en qué se va a usar los restantes 156.325,62 Bs. Si este dinero no es usado en las cajas comunales, es importante que se mantenga productivo.

## **3) Costo de Oportunidad de los Recursos Usados**

En cualquier proyecto se debe medir el costo de oportunidad de los recursos utilizados. No solamente a nivel de los clientes sino a nivel institucional. Ya se han visto los beneficios y ganancias netas a las socias y del proyecto en sí. Está claro que los beneficios netos de las socias son positivos. De igual manera, a nivel institucional se está relativamente ganando con este proyecto.

En este caso, la pregunta no es si el crédito es mejor que nada para las socias, sino, si el crédito es mejor que otro proyecto de desarrollo para la zona. Al hacer esta pregunta a las socias en las entrevistas, la mayoría ha expresado su interés en que éste proyecto siga en vez de que se comience algún otro. Los elementos de este proyecto

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<sup>10</sup> Principios de Noviembre.

<sup>11</sup> Datos provistos por Jenny Pairo.

que les atrae a las socias son: la autosuficiencia en vez de la asistencia y el acceso no sólo al capital sino también a la capacitación.

Va más allá de este estudio decir si este proyecto vale la pena más que otro proyecto de desarrollo; esto es algo que SEPAS debe de definir. Sin embargo, este proyecto:

- 1) Provee un beneficio neto a las socias
- 2) Es relativamente económico (bajos costos); y
- 3) Es relativamente auto-suficiente

### **Alcance y Sostenibilidad del Proyecto**

El modelo de “Alcance y la Sostenibilidad” ha sido usado como medida arbitraria para evaluar el proyecto. En realidad provee una estructura para organizar toda la información obtenida en éste estudio. La idea principal de esta sección ha sido evaluar todos los elementos que conforman el Alcance (Profundidad, Beneficios y Costos a los Usuarios, Amplitud, Longevidad y Abarque) y la Sostenibilidad (Beneficios Netos a los Usuarios, Ganancias o Pérdidas del Proyecto y Costo de Oportunidad de los Recursos Usados). El objetivo de éste análisis ha sido contestar las preguntas propuestas en la introducción:

#### **Información Demográfica**

¿Quiénes son las Socias?

Son mujeres entre 25 y 46 años (58%), casadas (69%) que tienen entre 1 y 3 hijos (36%) y que saben leer y escribir (80%). La mayoría no han nacido en Potosí (60%) y tienen alrededor de 6 y 20 años viviendo en la ciudad (58%).

#### **Sus Necesidades**

¿En qué actividad económica trabajan?

No existe una actividad económica dominante entre las socias pero las actividades más comunes son tejido (14%), venta de comida y refrescos (10%), venta de ropa (8%) y tienda de barrio (6%).

¿Qué quieren?

- Seguir teniendo acceso al crédito
- Obtener capacitación de calidad tanto social como técnica
- Sentirse dueñas y parte de su caja comunal

### Sus Habilidades

¿Qué potencialidades tienen?

Son mujeres que saben leer y escribir (80%), saben contabilidad básica (62%), poseen como mínimo una habilidad manual, tienen experiencia en cargos administrativos (dentro de sus cajas) y tienen un gran deseo de capacitarse.

¿Cómo pueden usar estas potencialidades?

Muy pocas de las socias usan sus potencialidades en actividades económicas porque no son rentables. Es necesario determinar si las socias están interesadas en usar sus potencialidades o aprender nuevas para aumentar su ingreso económico.

### Crédito

¿Es una herramienta útil?

Sí. El 97% de las socias encuestadas han expresado que el crédito ha mejorado su situación económica.

¿Cuánto ha beneficiado a las socias?

El beneficio depende de cada socia, pero en general el beneficio neto ha sido positivo.

### Capacitación

¿Ha sido suficiente?

No. 99% de las socias quiere recibir aún más capacitación.

¿Ha sido en las áreas adecuadas?

Hasta cierto punto sí, pero existe una contradicción entre la capacitación que las socias quieren recibir, principalmente actividades manuales que no les ayudarán a generar ingresos, y los objetivos del proyecto de aumentar las fuentes generadoras de ingresos de las socias. Es fundamental decidir las líneas del proyecto en este sentido.

### Participación

¿Ha mejorado la autoestima de las socias?

Este aspecto no se ha medido cuantitativamente, pero a través de la observación participativa de las cajas se ha determinado que la autoestima de las socias es más alta después de estar involucradas en su caja por un tiempo.

¿Han trabajado las cajas con su Junta Vecinal?

Sólo dos cajas han trabajado directamente con su Junta Vecinal.

### Micro-emprendimiento

¿Existe un espacio para que éste ocurra?

Es difícil decir, el 64% de las socias encuestadas no quiere asociarse. Sin embargo, muchas de las cajas quieren realizar una actividad productiva en conjunto.

¿Qué se necesita para llegar a ésta etapa?

Se necesita realizar un estudio de mercado para determinar la demanda. También se necesita hacer una evaluación de las cajas para decidir cuáles cumplirían los requisitos para formar una microempresa.

### Satisfacción de las Socias

¿Están contentas con el trabajo de SEPAS?

Sí. Quieren que el programa continúe.

***De acuerdo a las socias, ¿Qué puede hacer SEPAS a nivel práctico para mejorar el programa?***

En general, éstas han sido las sugerencias de las socias:

- Proveer más capacitación de mayor calidad.
- Tener más flexibilidad en los montos del préstamo ofrecidos.
- Mantener los intereses en 2.5%.
- Que se distribuya el dinero, o parte de este, de la cuenta interna entre las socias al final de cada ciclo, y que estas decidan qué hacer con este dinero.
- Que cada socia tenga su propia libreta de transacciones.

## **HERRAMIENTAS PARA EL FUTURO**

### **Limitaciones de este Estudio**

La realización de este estudio ha representado una experiencia de aprendizaje tanto para las socias como para las trabajadoras del equipo urbano y los asistentes de investigación, pero en particular, para mi persona como investigadora. En este proceso, se han reconocido vacíos metodológicos y limitaciones que se espera puedan superarse en el siguiente estudio de evaluación.

#### Algunas limitaciones son:

- **Tiempo:** La investigación, en sus cuatro fases (diseño, implementación, análisis y elaboración del informe), se ha realizado en 4.5 meses. De éstos, se han dedicado 2.5 meses a la realización del trabajo de campo (implementación), y 2 meses al diseño, análisis y elaboración del informe. Aunque ésta cantidad de tiempo ha sido adecuada, se recomienda a investigaciones futuras a durar por lo menos 6 meses, en particular si la evaluación es de mayor abarque.
- **Conocimiento General de la Institución:** El que el investigador sea una persona no sólo de afuera de la institución sino también de otro país, impide que éste tenga toda la información posible sobre la institución y el contexto. Es necesario que cualquier investigador reciba información por adelantado, y que esta persona lea y estudie de antemano la información de la institución, en especial, si esta persona es extranjera.

#### Vacíos Metodológicos:

- **Diseño de las encuestas:**
  - Las preguntas en referencia a la pobreza no han ido más allá de ingresos y gastos. Una encuesta completa tendría que incluir, por ejemplo, preguntas sobre: el acceso a la educación y la salud, el nivel de educación de las

socias (más allá del alfabetismo), el tipo de vivienda en el que radican, y el acceso a electricidad y agua, etc. Esta información daría una visión más clara del nivel de pobreza de las socias no sólo en la dimensión económica sino también social, en particular en términos de acceso a servicios básicos, su vulnerabilidad, y su poder de toma de decisión (opciones).

- En términos de los Beneficios a los Usuarios, existe un vacío en las encuestas de preguntas directas en relación a cómo ha beneficiado el programa a las socias. Sería muy útil en este sentido el tener información descriptiva que explique de manera tangible el impacto real del crédito y la capacitación.
- Es importante definir el asunto del anonimato. En las encuestas realizadas para éste estudio aunque se usó el método de Guía Entrevista Grupal (encuestas grupales), se mantuvo el anonimato de las socias. La idea es que a través de la encuesta en grupo las socias socialicen sus condiciones económicas y sociales las unas con las otras. Pero a la hora de hacer el análisis el investigador no tiene acceso a los nombres de las socias. Esto ha funcionado bien, sin embargo en relación a la elaboración de una base de datos, el haber hecho la investigación de manera anónima ha prevenido el acceso a información de cada una de las socias. Es necesario en evaluaciones futuras, definir las prioridades de SEPAS (anonimato versus información útil).
- Otros Aspectos:
  - No se ha indagado la percepción de las socias alrededor de la competencia, es decir, las razones por las cuales deciden hacer cierta actividad económica y no otra. La mayoría de las socias realizan actividades económicas en las que existe competencia perfecta.<sup>12</sup> Esto hace que sus ganancias sean mínimas, sin embargo las socias siguen entrando a estos

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<sup>12</sup> Este término ha sido explicado anteriormente.

mercados. Sería importante conocer las razones por las cuales las socias entran y se mantienen en estos mercados.

- De gran importancia es el que no se haya preguntado las percepciones de las socias en relación al micro-emprendimiento. Esta información es clave en determinar las líneas del proyecto en esta área.

### **Requerimientos Para Una Nueva Evaluación**

Esta es una evaluación piloto que tiene como un objetivo secundario servir de prueba para futuras evaluaciones. La idea es que este estudio no solamente provea resultados y conclusiones con recomendaciones para mejorar el proyecto, sino que también provea sugerencias y herramientas para otros estudios.

Las siguientes son sugerencias para una nueva evaluación:

- Antes de realizar cualquier evaluación es necesario tener una base de datos vigente y completa.
- Definir claramente los objetivos generales y específicos de la evaluación. Es importante usar el tiempo que sea necesario para determinar estos objetivos, ya que mientras más claros sean éstos, mejor será la evaluación. Estos objetivos también determinarán la metodología a usarse en la investigación.
- La nueva evaluación debe de abarcar todas las cajas comunales, no sólo las del Distrito No. 12.
- Se debe obtener información del resto de los Distritos estudiados o de todo Potosí para poder hacer comparaciones con el grupo estudiado. Algunos estudios usan el método de comparación para evaluar, usando un grupo control (por ejemplo la población femenina de Potosí o del Distrito No. 12) que se compare con el grupo a ser estudiado (las socias de las cajas comunales).
- Sería muy útil utilizar la información cruda de esta investigación para hacer una comparación longitudinal (a través del tiempo).

- Si la evaluación no se hace anónima, la información obtenida se puede utilizar para expandir la base de datos existente.

## **Algunas Herramientas Prácticas para el Seguimiento de las Cajas Comunes**

Las siguientes son algunas ideas *prácticas* a corto plazo para la mejor implementación del proyecto.

### Nivel Institucional

- Crear una base de datos con información económica y social de las socias. De manera que se puedan identificar las socias o los grupos de socias con diferentes necesidades (capacitación, apoyo al microemprendimiento, etc.).

### Trabajo con las Cajas

- Realizar capacitación de manera más general. Ofrecer diferentes cursos en artesanías, contaduría, salud, etc., a los cuales se invite a todas las socias interesadas, sin importar de qué cajas sean. De ésta manera se eliminarán cursos duplicados en diferentes cajas y también se asegurará que sólo las socias realmente interesadas asistan a cursos específicos
- Ofrecer más privilegios a las directivas de las cajas, como por ejemplo que reciban el mismo tipo de capacitación que los líderes de las juntas vecinales. De esta manera habrá más motivación de las socias a formar parte de sus juntas directivas. Obviamente, esto también capacitará mejor a las líderes a que realicen un mejor trabajo en sus cajas.
- Utilizar la Crónica Grupal<sup>13</sup> como instrumento de sistematización de las actividades, capacitación, retos y experiencias de las cajas comunes.
- Rotar a las facilitadoras/promotoras por cajas cada año. De esta manera las socias no crean dependencia con una facilitadora y también pueden familiarizarse con los diferentes estilos de cada una.

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<sup>13</sup> La Crónica Grupal es un método que consiste en llevar un libro (como un diario) donde se anotan las experiencias y percepciones de las socias. Este libro es llevado por la facilitadora/promotora.

### Metodología del Préstamo

- Dar fichas o libretas de préstamo individuales a cada socia. La manera en que esto funciona actualmente es que la presidenta tiene una copia de la hoja de seguimiento con la información de cada socia. Si una socia quiere revisar su información, necesita pedirle la hoja a la presidenta. El que cada socia tenga su libreta individual daría mayor independencia a las socias en el control de sus transacciones.
- Rediseñar las Fichas de Seguimiento.

## **CONCLUSIONES GENERALES Y RECOMENDACIONES**

### **Resumen de los Resultados de la Investigación**

- Las socias de este programa están en o sobre la línea de pobreza, de manera que no son el sector más pobre de la población.
- No existe una actividad económica dominante entre las socias pero las actividades más comunes son tejido (14%), venta de comida y refrescos (10%), venta de ropa (8%) y tienda de barrio (6%).
- La mayoría de las socias saben tejer, hacer repostería y costura, y realizar actividades de producción agrícola. Sin embargo muy pocas de éstas lo hacen para vender.
- El estudio indica que 64% de las socias participan en sus juntas vecinales, sin embargo sólo 5% de éstas forman parte de las mesas directivas.
- Al ser preguntadas para qué han usado el crédito, el 64% de las socias lo han invertido en su negocio, el 16% en la construcción de su casa, el 12% en compras personales y el resto en gastos de salud, estudios y pago de deudas. Esto indica que aunque el crédito es de libre disposición, la mayoría de las mujeres deciden usarlo en la inversión de actividades económicas.
- El 50% de las socias trabaja en sus actividades económicas entre 21 y 50 horas a la semana. De la misma manera, 40% de las socias trabaja en tareas del hogar entre 21 y 50 horas a la semana. Todas las socias son amas de casa además de trabajar en sus actividades económicas, de manera que cuentan con muy poco tiempo para reunirse en sus cajas, formar parte de sus juntas vecinales y recibir capacitación.
- El crédito está cumpliendo con las necesidades de las socias aunque no ha tenido un impacto real en la reducción de su pobreza. Al ser preguntadas si el crédito

había mejorado su situación económica, un impresionante 97% de las socias dijo sí.

- La realización de talleres se ha llevado a cabo hasta cierto punto, principalmente en el área de manualidades. Sin embargo, poca ha sido la capacitación en temas económicos y organizativos. El 99% de las socias encuestadas dijeron que querían aún más capacitación, en particular quieren recibir entrenamiento en tejido (20%).

### **Recomendaciones**

- SEPAS necesita definir con qué sector de la población quiere trabajar en este proyecto. Esta evaluación recomienda que se continúe trabajando con el sector actual ya que las personas que tienden a beneficiarse más de un proyecto como éste son aquellas que ya tienen algún capital. El crédito es de mayor beneficio cuando es invertido en una actividad económica, especialmente si es productiva.
- Se recomienda más flexibilidad en los montos prestados ya que una proporción importante de las socias (30%) ha expresado su deseo de que éstos sean más altos.
- Se recomienda que SEPAS defina las áreas de capacitación y el tiempo y recursos que se van a emplear en ésta para asegurar que sea de calidad y utilidad.
- Se sugiere que SEPAS realice un estudio de mercado donde se evalúe cuáles productos tienen demandas. Una vez hecho este estudio, se puede determinar en qué áreas necesitan entrenamiento las socias. Al mismo tiempo se debe determinar si las socias están interesadas en usar sus potencialidades o aprender nuevas para aumentar su ingreso económico. Si las socias están dispuestas a aprender nuevas habilidades, es necesario saber cuánta energía y tiempo pueden comprometer a éstas.

- Se recomienda mantener o disminuir el mismo número de cajas para mantener la calidad del proyecto. También se es sugerido que el número de socias que participan en cada caja no sea mayor de 25, ya que a través de éste estudio se ha observado que aquellas cajas con más de 25 socias son las más propensas a tener problemas internos.

## **Reflexión**

A nivel del diseño y planificación se puede observar una falta de visión de “hacia donde vamos” o “hacia donde queremos llegar” en este proyecto. Como se ha mencionado anteriormente, el proyecto está entrando en una fase importante en el que las cajas están madurando y comenzándose a preguntar “y ahora qué?”. A través de este estudio se ha notado en las cajas comunales una falta de identidad como grupo y por ende de cohesión. Quizás este sea el reflejo de la falta de misión del proyecto en general. Es necesario que SEPAS defina claramente las líneas de acción y objetivos para el futuro para que se trabaje con esta visión en mente.

Un proyecto o programa no puede tener una visión sin tener una estrategia de cómo llegar a esta. El documento de la propuesta actual del proyecto no es lo suficientemente específico para ser una herramienta útil en la realización de este. Es necesario diseñar no sólo cronogramas de actividades, sino también matrices de resultados esperados, indicadores verificables, medios de verificación de estos, análisis de riesgos, recursos a ser utilizados, etc. Una vez diseñado este documento en consenso, éste debe seguirse fielmente, respetando las fechas y usándolo como medio de referencia durante el proceso de realización.

Un aspecto crucial en la realización de cualquier proyecto es el trabajo de las personas involucradas. En este sentido es elemental que el equipo urbano defina sus líneas de trabajo y centralice sus prioridades. Se sugiere una reunión o taller de dos o

tres días completos, sin interrupción, en los que el equipo pueda negociar sus diferencias, establecer sus necesidades y concertar la acción.

# Saint Mary's University

## Certificate of Ethical Acceptability of Research Involving Human Subjects

This is to certify that the Research Ethics Board has examined the research proposal or other type of study submitted by:

**Principal Investigator:** Maria Urbina  
**Name of Research Project:** Microfinance as a Poverty Alleviation Tool: Case Study of FONCRESOL, Potosi, Bolivia  
**REB File Number:** 03-059

and concludes that in all respects the proposed project meets appropriate standards of ethical acceptability and is in accordance with the Tri-Council Policy Statement on the Conduct of Research Involving Humans.

Please note that approval is only effective for one year from the date approved. (If your research project takes longer than one year to complete, submit Form #3 to the REB at the end of the year and request an extension.)

**Date:**

\_\_\_\_\_ 11/9 \_\_\_\_\_

**Signature of REB Chair:**

\_\_\_\_\_  
Dr. John Young