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Participation Source Pack #1

# PARTICIPATORY APPROACHES IN MICRO-FINANCE & MICRO-ENTERPRISE DEVELOPMENT

Compiled by Nigel Biggar  
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Participation Group at **IDS** 

# PARTICIPATORY APPROACHES IN MICRO-FINANCE AND MICRO-ENTERPRISE DEVELOPMENT

## SECTION 1

### INTRODUCTION

By Christian Sorenson (ACORD)

Participatory approaches have so far no great documented track record in relation to micro-finance and micro-enterprise development. Why?

Possibly because participatory tools such as PRA<sup>1</sup> tend to be group or community focused, while micro-entrepreneurship mostly is individual. Maybe also because practitioners who traditionally deal with micro-finance and micro-enterprise development typically do not have backgrounds in participation.

On the other hand there is a growing interest in new methodologies and approaches in this area, which - especially after the 1997 World Micro-credit Summit in Washington - is attracting increasing focus by donors and others, that are looking for a cost-effective tool for poverty eradication. At the same time, there is a growth in critical research and literature, which questions micro-credit as a panacea for poverty eradication and women's empowerment.

From a practitioner's perspective there are very roughly four distinct areas within micro-finance/enterprise development, where participatory methodologies and approaches would be useful, and where some experience of application already has been gained.

First, an **appraisal** at village or 'community' level is often undertaken to identify the potential for productive investments and micro-enterprise development. There may

also be an assessment of the need and availability of financial services in the particular area/village. At the individual level there would typically be an appraisal activity, where a prospective loan client assesses the viability of his/her planned investment.

Secondly, there are needs for **training** and advice to micro-entrepreneurs and/or potential micro-loan clients. Some micro-finance schemes offer client training in accounting, business planning and other commercial related activities, others offer advice services. On another level basic education, not least for women - including literacy and numeracy training - is often linked with successful entrepreneurship and livelihood development.

Thirdly, **organisation** around micro-finance activities has a set of particular processes and issues: group formation/development, micro-bank management, different forms of financial organisations and non-financial 'banks' (e.g. seed or grain banks). These raise the question of organisational sustainability vis-à-vis financial sustainability - a main concern of the financial systems approach.

Fourthly, the issue of **impact** is receiving increasing attention. Do micro-finance services and micro-entrepreneurship actually reduce poverty and empower poor women? Do the monitoring systems help the participants to learn?

Increasing efforts are put into impact assessments, which, tend however, to rely on survey methods and recall data from clients.

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<sup>1</sup> Participatory Rural Appraisal

These methods are typically applied in evaluation exercises, rather than as a monitoring tool.

These four areas are well known by all practitioners in the field. In terms of participation, each one is connected to the next, as true participation would involve all aspects of project design, management and learning. More could be added - e.g. technology - but this will do for a start. The aim here is not to give a comprehensive coverage of all that has been written on participation and micro-finance/ enterprise. It is not a bibliography either. It is an attempt to bring together a range of experiences with participatory approaches in relation to entrepreneurial and finance activities of the poor. This is an area of great potential for development.

There is also much more written on practical participation and micro-finance/enterprise experiences than we imagined, when we first started searching. And undoubtedly a lot of interesting things are going on within this area, which have not yet been written down and circulated.

This SOURCE PACK is just a beginning: a collection of 3 extracts and 19 abstracts presently on hand and obviously biased by the subjective touch of the people involved in selecting them. The examples may not be all useful or useful for all. But it will hopefully be the beginning of an exchange with existing or new practitioners of participatory methods, tools and approaches in this area.

*Please give us feedback on the contents of the pack and send your own contributions!*



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## **SECTION 2**

### **SOME READINGS**



*Slum dwellers build houses in Durban: South African Homeless People's Federation*

## OVERCOMING THE OBSTACLES OF IDENTIFYING THE POOREST FAMILIES

Anton Simanowitz and Ben Nkuna, The Small Enterprise Foundation, Sukor Kasim,  
Universiti Sains Malaysia, Robert Gailey, Micro-credit Summit Campaign

[www.sef.co.za](http://www.sef.co.za)

### An Extract

#### EXECUTIVE SUMMARY



Ngexasi Nhlanguwini  
Entrepreneur

Microfinance has proven to be an effective and efficient mechanism in poverty reduction the world over. The 1997 Microcredit Summit declared as its goal to reach "100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by 2005." This is a bold objective, since reaching the poorest families through microfinance is still in its infancy, and most microfinance institutions (MFIs) currently reach the poor, not the poorest.

This paper is about the first step in this objective: identifying the poorest clients. It is a step mostly avoided or forgotten in the clamor to open up programs that can start dispersing loans, and lose no time in reaching financial self-sufficiency. Our question is how can microfinance benefit the poorest if we don't know who the poorest are? How can we say we are reaching the poorest if we are not measuring this? How can we identify these families on the ground, and encourage their participation in microfinance programs? And how can we measure impact if we don't know where clients start?

We argue that unless active poverty-targeting is used then we cannot build microfinance services for the poorest. Experience has shown that if better-off people are included, this may well discourage the poorest from joining! Hence, even if our aim is not to exclusively reach the poorest, unless we use active targeting we may well inadvertently miss the poorest altogether.

It is not a question of cost or sustainability (although this has a major impact on how poverty targeting is done). Whether a program is exclusively targeted or not, experience has shown that to reach the poorest we must specifically design a program that caters to their needs. Poverty targeting can assist this process by raising awareness of the different needs of different types of clients and allowing for different products to be effectively targeted.

Many people argue that it is impossible, or too expensive, to design reliable poverty-targeting tools. However, there are a number of cost-effective screening methods in use. This paper describes two poverty-targeting methods that are effective in identifying the very poor, and which have been operationalized and utilized on a large scale with thousands of potential clients. Other lesser-known approaches are also briefly discussed.

The CASHPOR House Index (CHI), uses external housing conditions as a proxy for poverty, and can be very effective in conditions where there is a consistent relationship

between poverty and housing conditions. Participatory Wealth Ranking (PWR), uses a community's own definitions and perceptions of poverty, and employs rigorous cross-checking methods to ensure consistency and accuracy of results. Both methods aim to build on existing information, collect the minimum data necessary for reliable targeting, and follow-up targeting with a motivation process to encourage the poorest to join the program.

Both methods are context specific. PWR relies on detailed knowledge of a community of itself, and is unlikely to work in contexts where the community is weak, or where there are high levels of conflict or mistrust. Similarly, the CHI relies on there being a strong correlation between housing conditions and poverty. This is not a universal relationship and is very much defined by the context. Where the CHI is adapted to local conditions, perhaps even including other externally visible, non-housing indicators, there is a greater chance of the Index being applicable to a wider range of contexts.

Thus, these methods must not be applied blindly but adapted to local needs and conditions. A number of choices need to be made which will determine which tool is used.

*“When we launched our program our heart was to reach the poor and help them to get over the poverty line we decided that the method we would use is we would offer a very small loan size because, surely, only the poor would take a small loan size. The next thing we did is went to one of the poorest areas in South Africa and we began to do the loans. But after a few years, we realized that [of] the people we were serving, the majority did not live below the poverty line...*

*Now the clients that are very much poorer, why don't they come to you in large numbers? And the reason is, they're intimidated by the wealthier clients. What we've heard from the literature from all over the world is what we found in our own case, and through hard experience. The poorer people see who goes to your program, and they just say, 'This program is not for us; it is for those better off people.' And then very often the wealthier - maybe just the less poor - intimidate the poor, simply by saying, 'This meeting is for serious people. Here we have to be serious about business. Somebody who is only selling a few vegetables is not serious about business.' Poor people already have pretty low self-esteem, but you add a few comments like that, and they leave. So, the presence of the non-poor unfortunately did scare away the poor. And that's why we have to go for an exclusive poverty focus”.*

John de Wit  
Managing Director,  
Small Enterprise Foundation



[www.sef.co.za](http://www.sef.co.za)

**For the full text of this article go to the SEF website at [www.sef.co.za](http://www.sef.co.za). You can also visit the microcredit summit site at <http://www.microcreditsummit.org/papers.htm>**

**Other articles also by Anton Simanowitz on the SEF site include:**

*Impact Monitoring and Learning for Poverty Alleviation (1998)*  
*Supporting Poverty-Alleviation Through Micro-Finance (1998)*  
*Effective Strategies For Reaching The Poor (1998)*

## HOW CAN IMPACT ASSESSMENT BE MADE MORE PARTICIPATORY?

Anton Simanowitz, *with contributions by Susan Johnson and John Gaventa*  
Institute of Development Studies, (2000)

Increasingly impact assessment is recognised as a core part of the work of development finance organisations (DFOs), both to demonstrate the achievement of their social objectives, and to assist management with strategic decisions and methodology development. Participatory approaches have not featured prominently within “minimalist” microfinance, nor have they been widely used by DFOs for impact assessment. Partly this results from the lack of background that most microfinance practitioners have in participatory methods, and partly due to a minimalist approach that does not give space for debate with clients about what services are provided and in what way. Financial services are typically delivered by organisations striving for financial self-sufficiency and client control of services or lengthy research may damage this goal. Instead, market research provides the client information that is needed to provide attractive financial services in a commercially viable way.

Other DFOs take a more integrative approach, and provide financial services as part of broader social empowerment and development. Their central concern is to work with marginalised groups, and facilitate transformation at individual, community and societal levels. For these organisations participatory approaches have been used for many years, and are seen as an important tool for empowerment. When developing impact assessment systems it is natural for them to work with a participatory approach that is empowering for the organisation’s members or clients, and allows for a strong client voice in the impact assessment process.

These two descriptions represent two ends of the spectrum. Participatory impact assessment (PIA) similarly may be viewed from two extremes, dependent on the organisational type. For ‘participation purists’, “...conventional baseline surveys are virtually useless for impact assessments...The question now is how widely local people can be enabled to identify their own indicators, establish their own participatory baselines, monitor change, and evaluate causality...” (Chambers, 1997, p123). Alternatively, for organisations striving for sustainability, the use of participatory tools may be seen as an effective way of passing the costs of gathering information to clients, and increasing the cost-efficiency of market research.

PIA is thus very dependent on the context in which it is used and the objectives behind its use. However, some basic principals can be outlined. There are convincing arguments for making impact assessment more participatory from both the empowerment and instrumentalist perspectives, as well as in terms of the quality and usefulness of information produced.

## ***Defining Participatory Impact Assessment***

This paper seeks to explore how impact assessment can be made more participatory. A starting point is to look at what we may be moving away from. What is impact assessment that is less participatory? Estrella and Gaventa summarise traditional impact assessment as follows:

- Focused on measurement (often quantitative rather than qualitative focus)
- Extractive rather than empowering
- Orientated to the needs of donors and policy makers, not the MFI or its clients
- Conducted for the purpose of making judgements rather than empowerment
- Striving for objectivity and distance between evaluator and participants
- Externally orientated – both in terms of who does the assessment and who the information produced is aimed at

There is a philosophical position involved in PIA. This starts by questioning whose needs does impact assessment meet – clients, the DFO, donors? This affects the type of data that is collected, the way in which it is collected and analysed and by whom, and how the information produced is disseminated and used.

The PIA approach recognises that there are multiple stakeholders involved in the IA process, each with their own perspective (women clients, husbands, marginalised community members, community leaders, field staff, managers, senior management, technical assistance providers, donors, policy makers). It therefore moves away from traditional, often externally implemented, impact assessment that tends to emphasise the needs of donors. New stakeholders become involved in the process. Feurstein (1986) for example describes the process as one of “real partnership, whereby people are involved in deciding when and how to monitor and evaluate, analyse, communicate and use information”.

For most DFOs, however, participation is not an explicit goal. Even for those that emphasise participation as a core part of an empowerment process, there will always be a need to balance the process with other organisational objectives such as financial efficiency. Methods can be used to include each of these stakeholders in the IA process, or to allow different stakeholders control of the process, but it is clear that for most DFOs it is not possible to fully integrate all stakeholders into all stages of the IA process. Compromises must be made, and prioritisation made allowing different stakeholders to be involved at different levels and stages in the process.

There is a continuum. At one end is “purist” PIA at one extreme that uses participation as an end in itself to empower particular, previously dis-empowered stakeholders. At the other extreme is an instrumental use of participatory tools in an extractive way, that does not seek to empower, nor to address any of the power dynamics between the various stakeholders.

Thus the process of *making impact assessment more participatory* is a process of moving along this continuum. The starting point is with the organisation, its mission and its motivation for exploring the use of participatory methods.



### ***Why make impact assessment more participatory?***

PIA is centred on action-oriented learning. It seeks to understand the situation of its stakeholders, and to feed this into improvements in practice. It starts with what people already know and builds on this. The involvement of a wider range of people in impact assessment is likely to throw up challenges to the DFO, and it is certainly not a neutral process. PIA is likely to challenge much about the way in which a DFO functions, the services it provides, and how strategic decisions are taken. This is particularly true for a highly centralised and hierarchical organisation, where increasing voice for a wider range of clients and staff will raise expectations of change. The adoption of PIA is also a step towards a “learning culture” where an organisation encourages discussion and input from staff and clients.

The methodology used by the organisation has significant bearing the adoption of participatory approaches. For example, thrift co-ops have a different set of power dynamics and stakeholders compared to those DFOs where savings are held in banks as collateral for externally owned credit. Where programme philosophy is actually about handing over ownership of the institution PIA may fit well with the organisational culture and Mission. For example, some Village banking programmes, which try to promote internal savings to take over from external sources of credit, may also better lend themselves to giving clients greater decision making power over products and services.

Where an organisation has a philosophical commitment to participation, PIA can be an important part of achieving an empowerment goal, and of giving clients a real voice in the organisation, its operations and decision-making. This is also a key factor in achieving holistic poverty-alleviation. Organisations taking this approach will generally have a stated belief in the capacity and value of its clients. For example, “PRADAN works in a spirit of enabling communities to build upon their skills, initiative, resources and entitlements...” “The vision of CYSD centres around promoting individual and collective self-reliance”. For other DFOs participation is not a stated goal, and although empowerment and increased client participation in organisational processes may be desirable it may not be a strong enough motivation in its own right.

However, by analysing the possible channels of impact of PIA, it becomes clear that the instrumental and philosophical benefits are closely inter-related. An organisation that seeks to use participatory tools must take on board some of the philosophical under-pinnings of participation in order to achieve the efficiency and effectiveness gains.

There are a number of areas where PIA can bring benefits to a DFO’s clients and to the efficiency and effectiveness of the organisation:

- As part of a philosophical approach to empowerment and participation
- Poverty impact of client empowerment
- Lowering of transaction costs for the DFO – efficiency and cost effectiveness gains
- Improved knowledge and information about clients leads to better services (efficiency and increased market share)
- Improved client performance helps achieve both the poverty goal and financial self-sufficiency goal of the DFO
- Increased client sense of ownership leads to improved “credit discipline”

### **Client level**

1. Self-analysis can lead to improved understanding of situation and strategies to resolve problems or improve performance. This is both empowering and contributes towards the reduction of poverty of the client.
2. Improved sense of ownership is empowering for clients, and can lead to greater participation in organisational processes.
3. Better targeted products result as clients are able to voice their needs, and shape products to suit these needs.
4. The combination of client empowerment with better DFO products can contribute significantly to the goal of poverty-alleviation.

### **Staff level**

1. Improved understanding of clients allows field staff to make better loan decisions. It also leads to a greater sense of ownership of the programme by staff, and an identification with its achievements. This can increase staff moral and is empowering.
2. Increasing responsibility of clients for their own decisions and management of groups or centres reduces work load for staff, and can assist in achievement of productivity targets.
3. As part of a broader process of decentralisation this can lead to a greater role for field staff in impact assessment and other organisational processes.

### **Organisational level**

1. Transactions costs are lowered as more is done by clients, particularly supporting “problem” clients
2. Improved client success increases the chance of the client taking a larger repeat loan.
3. Increasing client success reduces client delinquency
4. PIA can serve the organisations informational need in terms of reporting to donors
5. Increasing sense of client ownership leads to clients putting time and effort into “making things work”. Improved credit discipline and centre management can reduce the DFO costs.
6. PIA is a cheap and effective form of market research
7. Better targeted and appropriate products, combined with increasing sense of ownership will also increase client loyalty and assist the DFO in competing effectively.
8. Empowerment and participation are promoted by PIA
9. Increasing participation and empowerment of clients and staff fits well with the goal of organisational decentralisation and the establishment of profit centres. It can also assist the organisation in identifying its strengths and weaknesses and improving.

### ***Problems of PIA***

The benefits outlined above are certainly not automatic. There is often a need for a significant commitment to transformation by the organisation, as well as input in terms of time and resources. The use of PIA also demands a level of skill from field staff that is often greater than that needed for routine credit and savings transactions. These skill needs combined with the greater level of responsibility placed on field staff for facilitating the gathering and analysis of impact information can challenge organisational systems in terms of staff monitoring and quality assurance.

Often information gathered through PIA is seen as being subjective, since it may require unstructured facilitation and discussion by the field staff to gather. This subjectivity leads to a commonly held view that participatory methods are imprecise and lack scientific rigour. This is particularly important when one of the objectives of an impact assessment is donor accountability. However, whilst it is true that PIA is unlikely to have a clear boundary between “objective” assessors and beneficiaries, there are many aspects of the design of PIA that can ensure rigorous results. A key aspect is the use of “triangulation” where questions are addressed from a number of perspectives, and the “truth” is arrived at through the combination and comparison of data from different sources – this can include quantitative data.

A further point to note is that traditional “scientific” impact assessment is not necessarily more objective than PIA, and it is not necessarily more rigorous. External impact assessment presents its own perspective in terms of what it chooses to measure and include or exclude in the process. Thus there is no necessary trade-off between scientific rigour and participation, rather it is the choice and the mix of methods used, and the process of defining and measuring impact indicators that determines the rigour and usefulness of the results.

### ***PIA in practice***

Although risks are present, there are clearly great benefits to the use of PIA. We now turn to the practicalities of how an organisation might move towards using a more participatory approach to impact assessment.

1. *Who leads impact assessment?* In PIA there is a move towards giving greater control of the impact assessment process to clients. It must be recognised that at each level there are “insiders” and “outsiders”, those with power and the less powerful (insiders/outsiders to organisation; management/field staff within an organisation; insiders/outsiders to the community; leaders/marginalised people in the community). Defining who participates in PIA defines whose perspectives and priorities are emphasised in the final analysis.
2. *Who does what?* The impact assessment process has many steps, and there is scope for involvement in all or some of these steps (development of indicators; measurement of indicators/ collection of data; analysis of data; development of policy recommendations). Again a balance must be defined as to who controls the process, and who else is involved and at what levels. For most DFOs the process will not be fully handed over to clients, but will involve a mixture of DFO staff, outside technical support, and clients.
3. *Tools and techniques:* Tools/techniques used depend very much on the context of the organisation, and the information requirements that have been identified. Different tools will generate different information and need different resources and skills.

Estrella and Gaventa (p39) summarise the approach to tools and techniques as follows. “In general, tools and techniques should:

- Complement the approach and philosophy of the [organisation];

- Be perceived by community participants as a way to help them address their questions and problems, not simply as information about them gathered by or for outsiders;
- Involve end-users in both data gathering and in analysing data;
- Match the skills and aptitudes of participants;
- Adapt to fit peoples' day-to-day activities and normal responsibilities;
- Provide timely information needed for decision-making;
- Produce results which are reliable and, even if not quantitative, credible enough to convince others;
- Be consistent in complexity and cost to match the level of evaluation called for;
- Reinforce community solidarity , co-operation and involvement;
- Be gender-sensitive
- Only obtain the information needed

### Conclusions

Participatory methods and participatory impact assessment have been widely used in many fields. However, their application is relatively new, and limited to a small number of contexts in Development Finance. The challenge is now to look at where PIA might be usefully used by DFOs, and how the competing priorities of DFOs will affect its application. There is a need to pilot the application of PIA in DFOs in different contexts and with different methodologies and missions, in order to refine the approach to be generally useful in the field.

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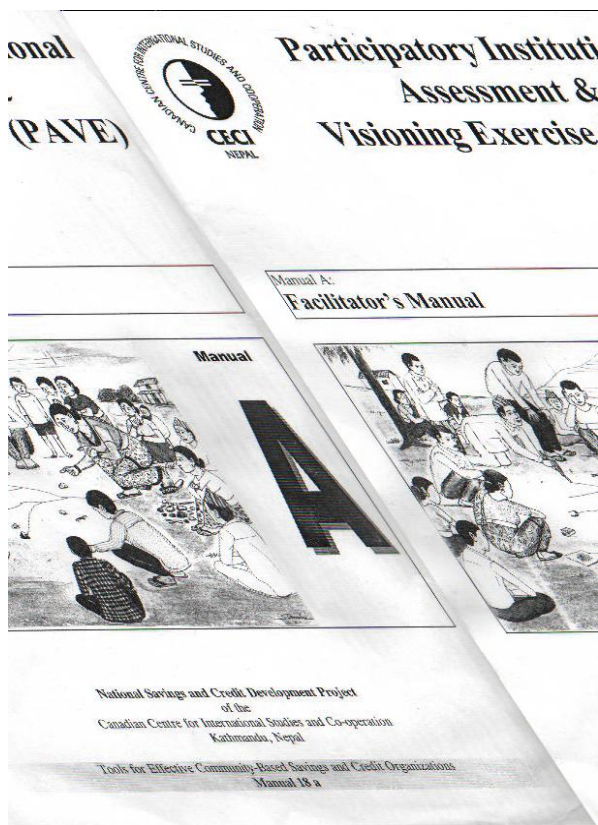
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## ***Participatory Institutional Assessment and Visioning Exercise (PAVE)***

Norman MacIsaac

The National Savings and Credit Development Project, Kathmandu, Nepal and  
The Canadian Centre for International Studies and Cooperation

### **An Extract**



In 1998, the National Savings and Credit Development Project undertook a nation-wide study of best practices in community-based savings and credit organizations (SCOs) in Nepal. The foremost finding of that study was that “clarity of vision” is a key element in successful SCOs. In the most successful SCOs, members share a common vision of their organization as a formal financial institution that will be owned, controlled and capitalized by the members themselves. This finding should appear self-evident. It essentially tells us that the organizations that are most likely to grow into large, sustainable financial institutions are those that have defined and clarified their vision as such - those that have a clear idea where they are headed.

This is the first of three manuals. This one, *Manual A*, is the facilitator’s manual. *Manual B* is a workbook for participants, which gives an outline to develop an action plan and monitoring system, as well as a basic financial plan. *Manual C* includes the visual aids (drawings) for exercises on services and book-keeping.

This facilitator’s manual is a tool to guide SCOs through activities to determine their vision for future growth. It outlines an example of a set of participatory activities designed by SA/CRED for SCO members to assess their strengths and weaknesses and

vision for growth. It's structure is similar to that of a formal institutional audit (a model of which is presented in a separate manual in this series).

The methodology used in this manual, however, is vastly different from that of the institutional audit. While the latter is a structured interview, this participatory assessment involves a series of activities whereby the members themselves determine their strengths and weaknesses and come up with a clear vision of their future direction. Moreover, in the participatory exercises, members will gain a lot of insight into their organization, its needs and direction, whereas the institutional audit is designed only to extract a pre-determined set of information from the SCO, for the promoting agency's own use.

Any feedback on the design or application of this tool would be appreciated.

## Summary of Activities

### **Vision:**

- compile existing vision and planning documents (refer to questions on p.3)
- discuss and note why and how your SCO got started, and then draw a picture of your overall vision for what you hope your SCO will look like in 5 or 10 years.
- re-examine and update this overall vision at the end of the exercise, add detail

### **1. Membership Outreach**

- draw a map defining your existing and potential members, as well as other financial service and social and political organizations existing in your area.

### **2. Services to Members**

- examine the services that exists, their cost and characteristics
- divide into two groups by gender and determine your priorities for potential services. Draw pictures of these services, and use the drawings provided to think of new services. Discuss the service priorities of both men and women.

### **3. Governance**

- draw an organizational chart showing the different committees, gender composition and attendance, decision-making flow, and minutes and policies.
- fill in the format provided to examine gender participation and turnover in committees.

### **4. Book-keeping**

- use the drawings provided to develop a flow chart of your SCO's book-keeping system. Note those aspects which do not exist, and the strengths and weaknesses of existing aspects. Analyze your priorities for improvement.

### **5. Financial Sustainability**

- draw a flow chart demonstrating the flow of money in the organization. Use the framework provided as a guide. Add information on the amounts and charges associated with the different flows.

### **For each section:**

- *Vision:* After each activity, there is a discussion, followed by the drawing of a vision statement for that aspect. Often, this takes the form of an improved

- version of the overall vision drawing. These sub-visions are compiled to construct one overall vision.
- *Action Plan:* Identify changes to take place over the coming years, with clear targets.
  - *Scoring:* Based on your own analysis and targets, develop your own indicators and scoring for each of the five sections, using this booklet as a guide.
  - *Budgeting/Financial Planning:* Based on the action plan, develop a balance sheet and forecast income and expenses.

## Hints for Facilitators

Warning: This participatory assessment and visioning exercise (PAVE) is most effective when facilitated by trainers who are knowledgeable in PRA and has a participatory attitude and approach. Here are a few hints for trainers who facilitate this process:

- *Do not touch the maps and flow charts.*  
Never place things on the map or the flow charts for them. Never instruct them how to draw the map, or which symbol to use to represent something on a map.
- *Keep the circle open to encourage participation.*  
Try to encourage the mapping in an open area, where community members can observe and comment on the map. Ensure the circle is wide and allows all to participate. Help participants stay in one circle, rather than forming other large circles around the first.
- *The role of the facilitator is to minimize his/her role.*  
Allow the participants the space to take the lead in activities. The facilitator should resist the temptation to move to a higher position (e.g. standing over participants, moving into the circle to get more attention or speaking louder, rather than retreating and letting people take ownership of the activity). The more the facilitator moves out and keeps a low physical and psychological profile, the more the participants are likely to take the lead.
- *Keep language simple, but not condescending.*  
For example, instead of terms like “financial services” refer to savings, credit and other services like insurance and the emergency fund. Ask questions in practical, rather than conceptual, terms. Use words that the community people use in their daily lives.
- *Think about your facial expressions.*  
Smile. The facilitator should be aware of her/his facial expressions. An encouraging smiling faces can be an asset, just as frowning can create insecurity among participants (feeling they are being judged).
- *Think about your appearance.*  
Do not wear sunglasses. Do not wear clothes that set the facilitator apart, distract or create a barrier.
- *Arrive early and give yourself enough time.*  
Arrive early and allow yourself more time than is necessary. Consider the time some members may need to arrive or return home. Some members may live as far as two hours away, and have meals to prepare.
- *Whenever possible, stay overnight in the village.*  
This eliminates delays due to travel, but is also an opportunity to create a rapport and learn about the place. It creates a bond and establishes a relationship

- between the community and the facilitator. It also ensures that the facilitator is ready and waits for the participants, rather than the other way around. In contrast, consider the psychological barrier if outsiders arrive from their hotel in their vehicle to meet awaiting villagers.
- *Observe.*  
The facilitator will easily learn who are the leaders in the group and in the community. Listen to reactions.
  - *Select the appropriate time.*  
For example, planting and harvesting time will not be appropriate for this exercise.
  - *Don't write in your own notebook while participants are doing the exercise.*  
Let them do their own analysis and record their findings or make a copy of their workbook once the assessment is complete. Respect their analysis and accord more importance to *their analysis* than to your own notes! This is probably against the nature of highly educated field workers, but it is important to know when to listen. This is the participants' analysis, - let them record and analyse findings. Put your notebook away until the final presentation.
  - *Approach your role as that of a student.* You are here to guide the process, but you are not the expert on the participant's SCO. They are. Accept your own ignorance rather than hiding it. Listen and learn. Ask questions respectfully and resist the temptation to impose your own ideas.

**For copies of these manuals please contact [Norman@ceci.org.np](mailto:Norman@ceci.org.np) or [normofnepal@hotmail.com](mailto:normofnepal@hotmail.com) or visit the IDS reading room online at [www.ids.ac.uk/ids/particip](http://www.ids.ac.uk/ids/particip)**





## PARTICIPATORY MONITORING FOR SELF HELP GROUPS - A TOOL FOR SUSTAINABILITY

by K. Rajaraman

*The author looks at how monitoring systems may be put in place for self help groups (SHGs) under a women's empowerment programme like the Mahalir Thittam. He stresses the need to institutionalise the system of self monitoring by building capacity within SHGs or Federations and looks at self or participative monitoring as a cornerstone for sustainability.*

### **Why monitoring?**

Any programme or project should have a mission statement enlisting a set of objectives. Monitoring any project or process should logically start with setting of project objectives with a high degree of clarity. Objectives can be quantitative as well as qualitative. If we look at Mahalir Thittam objectives, they are indeed very broad and need to be broken into clear and specific sub-objectives (not detailed here but will be part of the subsequent section on indicators). It is also well understood that project objectives are not static and undergo varying degrees of changes in any reflective system. In fact the monitoring system is an inevitable component of any reflective organisation, as monitoring throws up learning for action.

In a Self Help Group (SHG) program as in the Tamil Nadu Women Development Project, monitoring assumes a very critical dimension, being a massive replication (in all rural areas of the State) of an earlier lab-scale IFAD project in selected blocks of 8 districts. Monitoring throws up areas for attention like ineffective Project Offices, weak NGOs, weak SHGs, uncooperative banks, areas for attention at every level, etc. Timely corrective action can help put the project back on track.

### **Who should monitor and why?**

Now what happens after we define the objectives of the project? The logical step would be jump into identification of indicators, which would signify achievement of objectives. There is often the tendency for the implementing agency to define and identify indicators without participation of the clients and set up an agency based monitoring system to the exclusion of clients even in the monitoring process. Every stakeholder also has her/his own set of objectives besides the common objectives. This calls for involvement of all stakeholders in the project and hence the term participatory monitoring (PM). The primary emphasis on participation would be with respect to participation of the primary stakeholders or "beneficiaries" or clients of the project.

This raises a fundamental question: "Why should clients participate in designing and implementing monitoring systems?" For a sustainable development process, acute solving of the problem is not the most important factor. Because other people's problems cannot be solved from without in the long run, but rather have to be definitively solved by the people concerned themselves, the following aspects should correspondingly promote the ability of

the people to help themselves (self-help). Action competence should be increased, as well as promotion of learning processes and their evaluation. The need for PM may be summarised as follows:

- NGOs appoint a large number of staff for monitoring, who are unfortunately transitory (limited to the project period), leading to unsustainable monitoring systems that are purely NGO based. There is sharp fall in performance as soon as staffs withdraw from the project.
- Community or client-based monitoring or participatory monitoring (as we would chose to call it) has the advantage of being low cost as there is no cost attached, except the cost of training
- PM facilitates building of capacity within the client group, in our case - SHGs and federations.
- PM is a means and strategy for sustainability.

However facilitation of SHG or federation based monitoring takes time and effective monitoring can stabilise only over a two-year period. Till such time, the implementing agency must hold the portfolio of monitoring. The phased transfer of the responsibility of monitoring as well as the process of capacity building starts from day one of the SHG. There are certain processes and events, which are of interest only to the implementing agency and must be necessarily monitored by them.

The Participatory Monitoring (PM) concept is based on the strength of the processes inherent in grassroots-oriented projects. Therefore, PM places less emphasis on planning and evaluating and stresses intensive monitoring instead. PM is interested in the learning processes, in the ability to act self-determinedly. PM promotes self-determined decisions and actions. That is why the monitoring is not carried out from without, externally, but rather by the actors themselves - the self-help groups and the local promoters. Its instruments are manifold; in the beginning they have to be simple and then grow with the group's experience. The only fundamental test of a PM system must be the test of sustainability.

Participatory Monitoring in Mahalir Thittam implemented by the Tamil Nadu Corporation for Development of Women Ltd, has four actors and, thus, four strands: "Group based Monitoring" by self-help groups, "Federation based Monitoring" by SHG federations, "NGO based impact monitoring" systems and the "DeW MIS". These levels must complement each other.

For more details see [www.tamilnaduwomen.org](http://www.tamilnaduwomen.org)

***Street Youth Micro-entrepreneurs: How Participatory Monitoring and Evaluation can strengthen program outcomes and encourage the youths' empowerment.***

Nigel Biggar, 2000.

***An Extract***

Juan Carlos is only one of a growing number of street youth. He sells fruit and vegetables in Santiago's (Dominican Republic) main market. He is 19 years old. He has been working since the age of 11. After work, he goes to school to learn to read and write. He then goes home to sleep.

Juan Carlos' situation is similar to that of many street youth. His family came to the city from the countryside in search of opportunity. They live in a poor neighbourhood. He works to contribute to the household income. Every day, Juan Carlos is exposed to the dangers of the street. To survive, he has become very resourceful and fiercely independent. "I like working for myself because there is nobody bossing me around. I am proud when I can buy something with the money I earned honestly. Working has allowed me to stay away from *el tigueraje* [slang for delinquency]."

The growing prevalence of street youth has spawned significant responses from governments, non-governmental organizations (NGOs) and donor agencies around the world. Approaches range from correction to prevention. Many projects attempt to empower street youth so that they can leave the street permanently. Until now, these programs have had limited success. Many street youth "graduate" from the programs only to remain marginalized as adults. These programs often fail to meet their real needs.

How might we involve street youth in the quest for better program outcomes? If they participate in program design, can the process boost outcomes and help empower the participants?

In my own experience with street youth, I have found microenterprise development to be attractive for its inherently participatory nature and potential to empower. Street youth are already running their own operations, and can continue to do so when programs support their entrepreneurial endeavours. The youths' microenterprises have the potential for meeting many of their needs. At the individual level, the microenterprise is a source of employment that can help meet basic needs and build up assets. Becoming self-sufficient can help youth build self-esteem, and should give them more bargaining power in decision-making. Working youth are more visible and command more respect from the community. They can learn to be creative in their work and develop their sense of cultural identity.

Street youth microentrepreneurs and the organisations that work with them can also have an impact at the level of society, seeking to influence laws, policies and practices to favour street youth microentrepreneurs. The visible, positive results of supporting youth through their microenterprises also impact on community values, attitudes and relations.

This paper presents a method to improve program outcomes at individual, organisational and political levels by increasing street youth participation in the important processes of needs identification, program design, monitoring and evaluation. Moreover, this method uses their actual working environment as a point of departure. By addressing *their* needs with *appropriate* programs they help to design, the youth can work towards moving off the street permanently and avoiding marginalization as adults.

### Empowerment of youth through increased participation

Programs for street youth are traditionally based on adult-centred research of youth. Experts determine their needs *a priori* and prescribe strategies to address them without the participation of the youth themselves in the process. The same experts often use highly selective stereotypes of youth or childhood that are developed in the industrialized north and exported to the south. These have shaped a global “standard of childhood” that tends to underplay the responsibility of wider social, economic, political and cultural factors (Boyden 1997). Youth have specific needs and interests which often differ from what adults perceive. Because of this, street youth programs often misunderstand or misinterpret their needs (Ennew 1996)<sup>2</sup>. This lack of participation by the youth reduces program effectiveness.

It is well known that youth are able to identify their needs, analyze their situation and make valuable suggestions for change (Johnson 1998; Milne 1996; Woollcombe 1996). Although very important, working with street youth in a way that elicits their participation is particularly challenging. They distrust authority and are quick to exploit assistance programs to meet their own perceived needs. There are different levels at which they can participate in a program. Table 1 (below) presents the Ladder of Youth’s Participation (Hart 1997:41). Participation ranges from non-participation, or manipulation, to more integrated participation with youth initiated activities that share the decision-making process with adults.

**Table 1: Ladder of Participation**

<b>Degrees of Participation</b>	<ol style="list-style-type: none"> <li>1. Youth-initiated, shared decisions with adults</li> <li>2. Youth-initiated and directed</li> <li>3. Adult-initiated, shared decisions with youth</li> <li>4. Consulted and informed</li> <li>5. Assigned but informed</li> </ol>
<b>Non Participation</b>	<ol style="list-style-type: none"> <li>6. Tokenism</li> <li>7. Decoration</li> <li>8. Manipulation</li> </ol>

The lowest rungs of the ladder refer to projects that do not involve the youth in the decision-making process at all. The forms of non-participation include manipulation, decoration and tokenism. An example would be a project that uses youth to carry its

<sup>2</sup> This observation is also based on work done by the author in India in 1990, Ecuador and Colombia from 1992-94, India and Nepal in 1997, Peru in 1998 and the Dominican Republic in 1999.

message without involving them in the process of deciding what the message is. It is important to remember that youth programs need not always operate at the highest rung of the ladder. Programs must take into account the youths' ages, competencies and cultural traditions for example, when determining to what extent they should participate.

The fifth rung of youth participation defined as "assigned but informed", refers to what is often called "social mobilization." Here, youth participate in festivals, protests, marches or parades as a first step in understanding that they can have an effect on issues that affect them. The third rung involves adult-initiated projects that include youth in the decision-making process. Youth-initiated and youth-directed projects (the second rung) are typical street youth activities. In many cases they decide on their own to work and direct their work activities. The role of adults at this level of participation is to provide a safe and healthy enabling environment in which the youth can work.

The top rung of the ladder of participation comprises youth-initiated projects within which decision-making is shared with adults. Unless the youth have considerable self-confidence, they often oppose adult participation out of fear that the adults will take over the process.

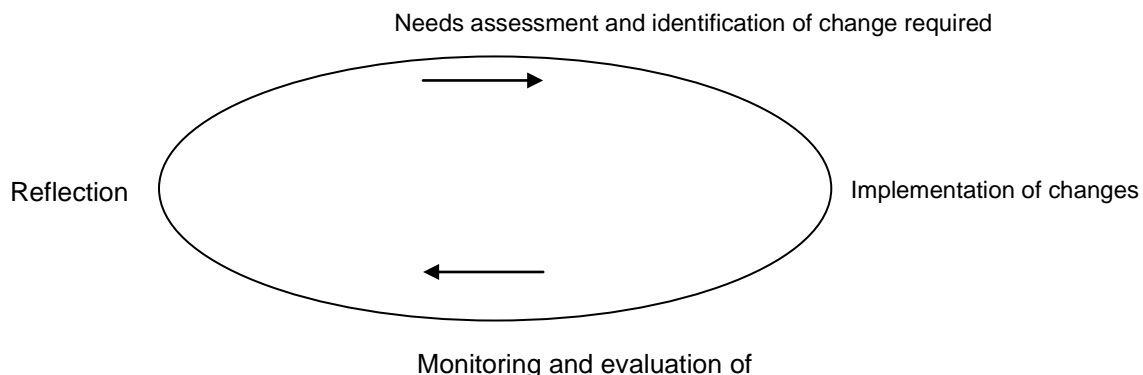
### **A participatory approach to assisting the youth**

All street youth are involved in some kind of entrepreneurial activity. They operate at the second rung of participation, where they initiate and run the activities. Jobs include shining shoes, cleaning car windows, selling fruit and vegetables, singing or telling jokes on buses and working as porters in markets. A program to assist the youth in their work would address one of their self-defined needs. Since the youth are used to making their own decisions already, such a program would necessarily require their full participation in program planning to ensure its effectiveness.

The process of identifying project priorities with the youth sharpens planning and definition. This helps ensure that only relevant services are provided. Furthermore, the processes of identifying needs, analyzing how they are being met and determining what action is necessary is a very powerful learning process that in itself promotes the youths' empowerment.

The participatory empowerment loop (below) aims to increase youth participation in important program planning processes. The loop has four main stages that involve the youth and other key program participants (street educators, board members, etc.). First, in a process of needs assessment, they define the variables of empowerment and determine indicators to track their changes. The same participants then gather information on the indicators. The different groups analyse the results, generate ideas for improvement and make proposals for change to strengthen the program. Second, changes are made as agreed upon and appropriate. Third, the effects of the changes are monitored and evaluated. Fourth, there is a period of reflection on the impact and then the loop restarts with participants reassessing needs and redefining empowerment variables.

**Figure 1 Participatory empowerment loop**



Using this participatory approach with the youth will undoubtedly identify areas in which the microenterprise requires strengthening. However, it is also sure to identify personal development needs, ranging from dealing with drug addiction and coping with stress or crises, to time management, budgeting and literacy. These needs can be addressed through an educational process that runs in conjunction with the microenterprise.

### **Participatory monitoring and evaluation (PM&E)**

In the participatory empowerment loop the processes of needs assessment and implementation of proposed improvements in program structure are followed by participatory monitoring and evaluation (PM&E). PM&E has several advantages over traditional monitoring and evaluation methods. It is more effective for determining whether interventions are meeting objectives, whether these objectives are relevant and if, in fact, the best action strategies are being practiced (Estrella *et al* 1998). This is particularly important for street youth interventions, as they are currently faced with these concerns. This approach is advantageous in that it is flexible enough to capture unexpected impacts. Street youth are particularly resourceful people and they know if a program meets their needs in the most effective way. The ability to analyze their situation and determine appropriate courses of action has the potential of being of great benefit to them and programs designed to assist them.

### **A framework to measure the participatory empowerment loop**

The loop needs a framework by which the youth and other program participants systematically assess their empowerment needs and monitor and evaluate changes that have been implemented. Identifying “key” criteria and measurable indicators to measure empowerment is difficult. It can require choosing particular aspects of a complex and interconnected reality (Mayoux 1998:40). The framework used here is based on the participation literature and on impact assessments for microfinance programs. It is appropriate for street youth because it considers their particular situation, which can include oppressive power relations with the family, the police and even bigger and older street youth. The framework also takes the particular characteristics of the street youth

into special consideration. These include their high level of independence, their involvement with criminality and their incredible resourcefulness.

The Interamerican Foundation developed the Grassroots Development Framework, or cone, (figure 2 below) allows participants to systematically analyze empowerment according to different areas of impact (Ritchey-Vance 1996). Central concepts underlying this framework are empowerment and participation. However, these abstract terms do not appear explicitly. Instead, they are broken down into more concrete and measurable components. The framework is flexible and any group using it can adapt it according to its needs. I have added some variables that address the particular needs of street youth.

The framework supposes that program impact occurs at *three levels*: the individual/family, the organization, and society. Furthermore, *tangible* and *intangible* results are analyzed to determine if a program has contributed to the empowerment of its "beneficiaries." The triangular shape of the cone represents the widening impact of the development project beginning with the individual and spreading at the levels of the organization and wider society.

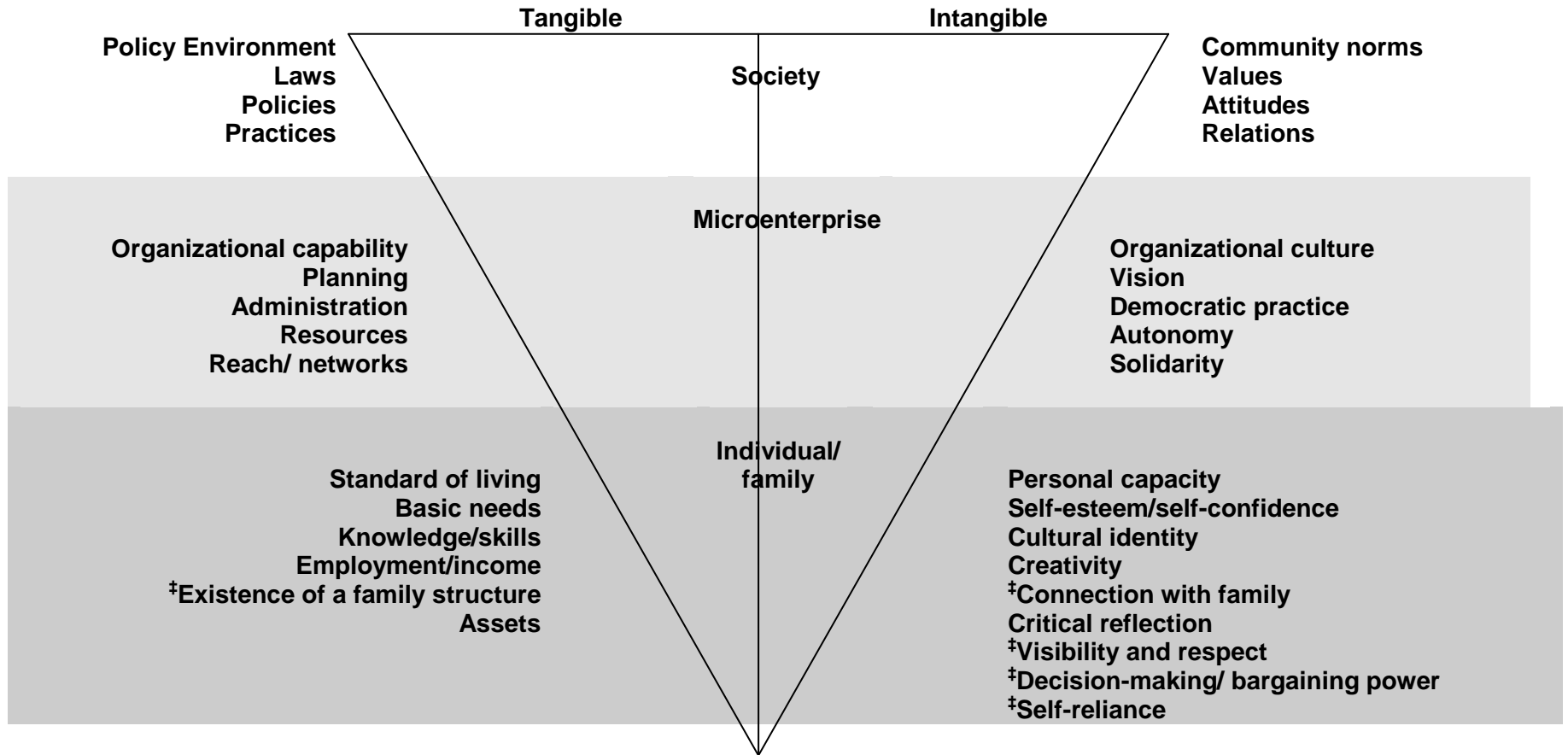
The framework integrates into the participatory empowerment loop at the stages of needs assessment and program monitoring and evaluation. The microenterprise is used as a unit of analysis in the cone to understand how it helps to meet the needs of the young people. When different program participants contribute to the analysis, the findings can be tested against each other in a process of triangulation. They can identify variables where change needs to take place and develop indicators through further discussion. Change is implemented and then the indicators are tested. This testing helps the participants understand how change is taking place across the variables. A period of reflection follows, during which the groups decide what changes they will retain. Then the loop restarts with a new process of needs assessment and variable selection.

This process is a participatory one. The street youth and other project participants determine themselves which variables for measuring empowerment are important. The list of variables presented in the consolidated framework above provides a guide to what areas the groups could consider; they might not choose them all. They also could identify variables that do not appear on this list.

The youths' microenterprises have the potential to address many of their needs. At the individual or family level, the microenterprise is a source of employment that can help meet basic needs and build up assets. Becoming self-sufficient can help youth build self-esteem, and should give them more bargaining power in decision-making and choice of education. Working youth are more visible and command more respect from the community. They can learn to be creative in their work and can develop their sense of cultural identity.

At the level of the enterprise or organisation, capability can be strengthened through learning to plan and administer the business. This will help provide a sense of vision to the organization. Access to resources and support must be investigated, strengthening the organization's autonomy. Linkages and networks can be reinforced, as well as a sense of solidarity. This is especially important for microenterprises, as they depend on networks for their survival. Learning to communicate with other people in the process of network formation is also a critical part of the education process for youth.

Figure 2 Consolidated framework for measuring empowerment



Source: Ritchey-Vance 1996.

‡ Variables have been added by the author.



Street youth microentrepreneurs and the organizations that work with them can have an impact at the level of society, seeking to influence laws, policies and practices to favour street youth microentrepreneurs. The visible, positive results of supporting youth through their microenterprises also impact on community values, attitudes and relations.

Typically, enterprises street youth engage in are extremely competitive, offering little opportunity for growth or increase in income. The youth are kept out of more profitable sectors by various barriers to entry. These barriers include a lack of skills and experience, lack of financial resources and poor access to markets. Projects that seek to assist the youth in their microenterprises should consider ways in which the youth can run enterprises that are able to overcome these barriers. Microfinance institutions (MFIs) often provide this type of assistance to microentrepreneurs and could play a significant role in this.

### **Conclusion**

Current street youth programs often do not promote youth participation in program design, monitoring and evaluation. This limits program effectiveness in meeting many of the youths' empowerment needs. The paper presents an empowerment framework to be used within a participatory empowerment loop. It demonstrates how this can strengthen the processes of needs assessment and program monitoring and evaluation. It is hoped that this will improve the effectiveness of street youth programs.

By identifying their empowerment needs, reflecting on how they are met and organizing their work to meet them, the youth are better equipped to gain freedom from the different specific forms of oppression they face. By earning a living through microenterprise, their need to resort to criminality is curtailed. This will reduce their contact with the police. Their increased financial independence can improve their bargaining power and enhance respect within the family. Secure housing and the strengthening of networks amongst the youth should distance them from abusive and oppressive forces encountered on the streets. This type of project can also take advantage of the youths' resourcefulness; microentrepreneurs must be extremely practical and quick-witted to keep their enterprises operating.

Any project that works with street youth in this way will be operating at a high level on the ladder of participation. The youth are used to running their own show. Their participation in project monitoring, evaluation and planning will respect their high levels of independence. Programs that take this into account and use it as a strength should be more effective. It will also keep the youth interested and engaged.

All of these measures can help improve the success of government, NGO and donor agency initiatives all over the world that aim to keep youth from being forced into more hostile street environments. It can also provide a mechanism for youth that have already been forced across the threshold to acquire the assistance and skills necessary for a secure future that is independent of the street.

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### **An Extract**

Professional Assistance for Development Action (PRADAN) was established in 1983 to promote sustainable livelihoods amongst the rural poor by enabling them to gain access to and control of livelihood resources. Grass root level institutions and community groups are organised by PRADAN with the final objective of creating autonomous community institutions. Presently PRADAN is working in nine states with groups involved in different productive activities like agriculture, sericulture, watershed development etc.

The rural women's bank project is being implemented in the southern districts of Tamil Nadu. The project aims at facilitating the women to have access and control over financial resources. The project is implemented in three phases. In the first stage the women are organised into small groups and their financial resources are mobilised and rotated as loans within the groups based on the principles of indigenous informal credit systems. In the second stage the groups are linked to local commercial bank branch for availing credit and they are also encouraged to interact with Government Departments for getting access to various developmental programmes of the Government. In the third stage the groups functioning in a cluster of eight to ten villages are federated and a member managed banking institution is established called a Nidhi.

The methodology of working with the women is an evolving one. Initially the Project Management Team of Pradan was involved in the identification, participatory rural appraisal (PRA), group formation and stabilisation processes. However, over a period of time the members of old groups themselves have started forming the groups. The usual process of group formation and stabilisation are as under.

#### **Identification of poor**

A few PRA techniques like wealth ranking, village mapping and rapid appraisal of local savings and credit systems are applied in identification of needy villages and the deserving poor. Even in wealth ranking a unique method has been evolved and standardised by the NGO. The organisation in the meeting with the villagers identifies the poorer looking villagers and requests them to identify twenty to thirty poorest households in the village. The members of such households are again asked to identify another set of thirty poorest households in the village. The common names in the lists are obviously the poorest in the village. Then a dialogue is initiated with them for group formation. Apart from the NGO staff, the leaders of old SHGs or cluster associations are also trained in these techniques since they are increasingly involved in group formation.

#### **Kalanjium**

Once the identification of poor is completed, the poor women are motivated to form into groups. Potential members of a new group are taken to existing groups to give them exposure to the concept and build their confidence. Two to three groups, each of fifteen to twenty members, are formed in a hamlet of one hundred households. Each group is called Kalanjium which in Tamil means the granary or a storage bin for keeping grains, valuables, etc. Each

kalanjium is given a name by its members. The group evolves its own rules and operational guidelines for its functioning. The groups meet fortnightly. The groups are very strict in conducting the meetings. They levy fines for correcting the errant behaviour of the members. Fines are levied if any member talks during the meeting or walks out of the meeting half way through, saves irregularly or repays loans irregularly.

Initially the funds of the group are mobilised out of the savings of the women members of the SHGs. The savings pooled are lent among the members. The loans are need-based and the repayments are usually 100 percent. Generally, by the end of the first year the group is capable of managing its own resources and absorbing external funds. Three of the members are elected (President, Secretary and Treasurer) for managing the affairs of the group i.e. maintain accounts, keep record of decisions taken in group meetings, collect funds, transact with banks and look after the interests of the group. Group books are maintained from the first meeting. Auditing is done for each group by a qualified chartered accountant once in a year.

### **Capacity building of groups**

Group leaders from a cluster of villages meet once a month and present the progress of the groups. This sharing process has helped many groups to improve their functioning and learn from the experiences and suggestions of others. When a group completes a year, a function is organised where the review of the year's functioning is undertaken. Future plans are also prepared with the help of Project staff and discussed. Other neighbouring groups are invited to take part. Groups bear all the expenditure for the function from their corpus.

To enhance the participation of the members in group functioning, tailor-made training programmes are organised for them. Group leaders periodically participate in the training programmes specifically designed for them. Frequent interactions with bankers, Government functionaries and exchange visits with other NGOs are also organised for the leaders to enhance their awareness and capacity to interact with outside agencies.

### **Impact of the programme**

Intensive involvement in the group, collective decision making, interactions, exposure and exchanges have given the women an identity. Self confidence, their communication ability and understanding of the external world have improved to a great extent. Their access to information, Government departments and other institutions have increased. Leadership among the women has emerged and the women manage institutions at village, cluster and block level. Creation of cluster associations and federations and regular interactions among different groups in these forums facilitated greater solidarity among the members. Many common issues like provision of drinking water, roads, electricity, ration cards and health services are addressed by the members. The credibility of the women within the household and in the community has increased due to their credit worthiness and decision making capacity. The common notion that women are weak in financial matters and cannot manage finances and accounts has been dispelled. The leaders of the groups and cluster associations are regarded high in the local area.

Each woman has savings to her credit which is a tangible asset. A total of Rs.60 lakhs has been mobilised by the members in the area as of March 1997. The money is revolved through the groups and earns a minimum interest of Rs.1 lakh per month of which Rs.50,000 is redistributed among the members. In addition to members' funds, PRADAN has mobilised about thirty lakhs from donors for revolving fund of the cluster Nidhis and federations. Bank loans have also been obtained to the tune of 40 lakhs by directly linking the groups to the bank for supporting the activities of the groups. Thus the groups have utilised the funds to support

the small businesses of the members and other credit needs. The funds have rolled over many times. The members have been able to augment their income by starting new business and also by expansion of business.

Members especially those in older groups don't depend on money lenders for small credit needs with high interest rate. As per the members, they are dependent on external sources for higher quantum of loans. The groups on an average were able to meet thirty percent of the credit requirements of the members.

### **Sustainability of the programme**

All the efforts of the organisation are primarily focused on long term sustainability of the programme through self management by women. Various institutions are developed at the grass root level as a part of this sustainability goal. Presently 787 SHGs, around 30 associations and 3 federations are in place and managed by the women. The intensity of management and level of involvement varies as per the age of the programme, the background of the members and the area of operation. PRADAN's role has been changing with continuous transfer of skills and change of roles. As the apex level organisations start emerging and stabilising, PRADAN's role will be limited to resource mobilisation, skill building and institutional development.

Most of the groups which are more than one year old are able to meet not only their group's costs but also a part of the cost of the cluster associations. However, PRADAN continues to bear the cost of capacity building of the members of various organisations.

### **Good Practices of the NGO**

The good practices followed by the NGO to bring about empowerment of poor women can be summarised as under

- Identifying the poorest and mobilising them into groups.
- Gradually building the capacity of the women to interact with the outside world and gain access to resources and information.
- Building a ground level organisation owned and managed by women thus ensuring sustainability of the efforts.
- Systematic initiation of income generating activities.
- Mainstreaming the activities of the groups by frequent interaction with various developmental agencies.
- 

### **Points to ponder over**

A new programme has been launched to link the SHGs directly with banks where the SHG can access funds at 12 percent per annum as against 18 per cent if they take loans through their own cluster organisations (Nidhi). Hence doubts are expressed whether the members are penalised by opting to become members of these clusters and whether the federation can sustain if the SHGs opt for direct linkage with banks. But the fact is many of the SHGs still find it difficult to get linked with banks and PRADAN's experience in linking the groups with the commercial banks in general has been far from satisfactory. Linkage with the banks involved delays, red tapism and frustration for the SHGs and the staff of PRADAN. This was one of the motivating factors in the setting up of the federation. There is a cost for quick and timely access to credit which clusters and federations ensure. PRADAN lately has initiated branch level forum meetings between the local branch and the groups to address the issues locally and to strengthen the relationship between the groups and the branch. The meetings are held

bimonthly and are attended by the branch staff, leaders of the groups and NGO staff. The half day meetings enable the participants to sort out various operational issues locally. In future, hopefully, the groups may even have the luxury of choice between two institutions i.e., banks and Nidhi/federation

Another issue is whether the federation will continue to be user friendly and cost effective especially if outsiders and professionals have to be recruited to manage the affairs. As the institutions grow in size, sophisticated systems and procedures may set in. Fund management will be a crucial function which will have to be managed by the professionals. In such circumstances how far the women will be in a position to take charge and be in control will have to be seen. When an institution grows physically and financially it attracts lot of attention. An institution of twenty thousand members is a potential vote bank. If the funds position is built up, it attracts local politicians and vested interests to grab a controlling position in the institution. How long can PRADAN protect the interests of the women? Will they be with the institutions for ever? These are also some of the larger issues.

These issues apart, the rural women's bank is a resounding success. It has brought about positive change in its members' lives. The smiles on the faces of the women members, the confidence with which they address their problems and the affection they show to their parent organisation are the ultimate proofs to the success.

The learnings that one could glean from this case study -- *which would be valid in any other similar initiative* -- are:

1. Use a group to bolster each other's confidence and sustain motivation
2. Economic empowerment holds the key to overall improvement in women's status
3. Thrift not only enhances self-worth of women, but improves their value as a role model to the household and others
4. Exposure to working in groups imparts functional literacy and self-confidence
5. Leadership roles makes them effective in community mobilisation for social action.
6. For all this to happen an external catalyst is necessary.
7. External catalysts should have a definite programme of withdrawal without which the groups may be reduced to dependency of another kind.

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## SECTION 3

### RECOMMENDED MATERIALS ON PARTICIPATION AND MICRO-FINANCE AND HOW TO GET HOLD OF THEM.



“Leaders of movements need to be able to identify their own needs – and their own shortcomings – and to explore a range of sources from which they can pick up insights, explore their dimensions and use them.” Asian Coalition for Housing Rights

***Micro-Finance Systems: Designing Quality Financial Services for the Poor***,  
Graham A. N. Wright, (2000)  
University Press Ltd, Dhaka and Zed Books, London and New York.

This book puts the case for providing appropriate, quality financial services for the poor, and outlines the principles and methods that may be followed to design such Micro-Finance Systems. The book is divided into three sections. The first section is an extensive review of the current literature to examine the theory and what has been learned about financial services for the poor to date, and how we might go about optimising these services in the future. The second section is offered as a series of practical guides to how an organisation seeking to become a permanent financial service provider might set about developing its services and systems. The third section comprises two detailed case studies that will be of particular interest to practitioners. The first, a detailed description of the process used to develop the Central Cordillera Agricultural Programme's Rural Finance System, discusses the on-going research and pilot testing process that was based on Participatory Rural Appraisal and Focus Group Discussion techniques.

***The Tamil Nadu Corporation for Development of Women***

Website

<http://www.tamilnaduwomen.org/>

There is a lot of information at this website. One of the case studies discusses a project called *Mahalir Thittam*, whose vision is to reach out and empower 1,000,000 women below the poverty line through 60,000 self-reliant and sustainable Self Help Groups. This project plans to set in motion processes that empower women in all spheres of their lives. The strategy they adopt encourages women to participate in decision-making at all levels. The objectives of the project, focused on poor and disadvantaged women are:

*Social empowerment* through

- Equal status, participation & powers of decision-making of women in the household, community and village
- Breaking social, cultural & religious barriers to equal development of women/girls
- Increased status, participation & powers of decision-making in democratic institutions

*Economic empowerment* through

- Greater access to financial resources outside of the household
- Reduced *vulnerability* of the poor women to crisis - famine, flood, riots, etc.
- Significant increases in the woman's *own* income
- Equal *access and control over resources* at the household level
- Financial self-reliance of women



### *Capacity Building through*

- Better awareness on health, education, environment, etc.
- Improved functional literacy, numeracy
- Better communication skills
- Better leadership skills
- Self-help & mutual help

#### ***Participatory Institutional Assessment and Visioning Exercise (PAVE)***

Norman MacIsaac (2000)

The National Savings and Credit Development Project: Kathmandu, Nepal & The Canadian Centre for international Studies and Cooperation

There are three manuals in this series: the facilitator's manual; a workbook for participants and a set of visual aids. They include a methodology for developing an action plan, monitoring system and a basic financial plan; and also include exercises on banking services and book-keeping. The manuals help guide MFIs through activities to determine their vision for future growth and then outline a set of participatory activities for MFIs to assess their strengths and weaknesses relating to this vision.

They present a structure that is similar to that of a formal institutional audit. The methodology used, however, is vastly different from that of the institutional audit. While the latter is a structured interview, this participatory assessment involves a series of activities whereby the members themselves determine their strengths and weaknesses and come up with a clear vision of their future direction. Moreover, in the participatory exercises, members are encouraged to gain insight into their organization, its needs and direction, whereas the institutional audit is designed only to extract a pre-determined set of information from the MFI, typically for the promoting agency's own use.

Email copies of these manuals are available from [Norman@ceci.org.np](mailto:Norman@ceci.org.np) or [normofnepal@hotmail.com](mailto:normofnepal@hotmail.com) or visit the IDS reading room online at [www.ids.ac.uk/ids/particip](http://www.ids.ac.uk/ids/particip)

***Overcoming The Obstacles Of Identifying The Poorest Families***

Anton Simanowitz, Ben Nkuna & Sukor Kasim, (1998)

The Small Enterprise Foundation & Universiti Sains Malaysia, [www.sef.co.za](http://www.sef.co.za)

This paper is about identifying the poorest clients. This step is mostly avoided or forgotten in the clamor to open up programs that can start dispersing loans, and lose no time in reaching financial self-sufficiency. It describes two poverty-targeting methods that are effective in identifying the very poor, and which have been operationalized and utilized on a large scale with thousands of potential clients. Other lesser-known approaches are also briefly discussed.

Participatory Wealth Ranking (PWR), uses a community's own definitions and perceptions of poverty, and employs rigorous crosschecking methods to ensure consistency and accuracy of results. The CASHPOR House Index (CHI), uses external housing conditions as a proxy for poverty, and can be very effective in conditions where there is a consistent relationship between poverty and housing conditions. Both methods aim to build on existing information, collect the minimum data necessary for reliable targeting, and follow-up targeting with a motivation process to encourage the poorest to join the program.

*The paper is available from SEF's website: <http://www.sef.co.za/summit/antonbenhtm.htm>. More information is also available from <http://www.sef.co.za> and searching under wealth ranking.*

***Street Youth Micro-Entrepreneurs: How participatory monitoring and evaluation can strengthen program outcomes and encourage the youths' empowerment,***

Nigel Biggar, (2000)

The growing prevalence of street youth has spawned significant responses from governments, non-governmental organisations (NGOs) and donor agencies around the world. Approaches range from correction to prevention. Many projects attempt to empower street youth through microenterprise so that they can leave the street permanently. Until now, these programs have had limited success. Many street youth "graduate" from the programs only to remain marginalised as adults. These programs often fail to meet their real needs. How might we involve street youth in the quest for better program outcomes? If they participate in program design, can the process boost outcomes and help empower the participants? This paper presents a method to improve program outcomes by increasing street youth participation in the important processes of needs identification, program design, monitoring and evaluation. Moreover, this method uses their actual working environment as a point of departure. By addressing *their* needs with *appropriate* programs they help to design, the youth work out ways to move off the street permanently and avoid marginalisation as adults. Preliminary results of a test of the methodology with a group of youth in Santiago in the Dominican Republic is presented.

*Soft copies of English and Spanish versions of this paper are available from the author at [biggar@grameenfoundation.org](mailto:biggar@grameenfoundation.org).*

**Face to Face: notes from the network on community exchange**  
Asian Coalition for Housing Rights (2000)

There are now increasing numbers of poor community groups moving round visiting each other – in their own cities and countries and in other countries. More and more development activists are welcoming this newly expanding and increasingly systematic horizontal exchange process as a new development tool – a poor people’s pedagogy. This publication, in a magazine format brings these concepts down to the ground through the experiences and stories of several groups around the Asia and Africa regions who are working to create a process of community exchange through exploration and practice. The report looks at the ideas and people which have helped bring to life this new community development process and looks at some of the exposure experiences so far. These include exchanges of ideas and skills around savings and small enterprise as well as a host of other topics of interest to the exchangers.

*For a copy contact: Somsook Boonyabancha at Asian Coalition for Housing Rights, 73 Soi Sonthiwattana 4, Ladprao Road Soi 110, Bangkok 10210, Thailand, email [achrsec@email.ksc.net](mailto:achrsec@email.ksc.net) or Ruth McLeod at Homeless International, Queens House, 16 Queens Road, Coventry CV13DF, UK, [email.info@homeless-international.org](mailto:email.info@homeless-international.org)*

**Rural Women’s Bank, Madurai, India**

Girija Srinivasan

Professional Assistance for Development Action, [gsns@vsnl.com](mailto:gsns@vsnl.com).

Professional Assistance for Development Action (PRADAN) (presently known as DHAN Foundation) is involved in organising grass root level institutions and community groups since 1993. It has the final objective of creating autonomous community institution in the southern districts of Tamil Nadu, India. The project aims at facilitating access for women to and control over financial resources in three phases. In the first stage the women are organised into small groups. Their financial resources are mobilised and rotated as loans within the groups based on the principles of indigenous informal credit systems. In the second stage the groups are linked to a local commercial bank branch for availing credit and they are also encouraged to interact with Government Departments for getting access to their various developmental programmes. In the third stage, groups functioning in a cluster of eight to ten villages are federated and a member-managed banking institution is established. The long-term sustainability of the programme through self-management by women is the primary focus of the programme. Presently 787 SHGs, around 30 associations and 3 federations are in place and managed by the women.

The good practices followed by the NGO to bring about the empowerment of poor women can be summarised as under:

- Identifying the poorest and mobilising them into groups
- Gradually building the capacity of the women to interact with the outside world and gain access to resources and information

- Building a ground level organisation owned and managed by women, thus ensuring sustainability of the efforts
- Systematic initiation of income generating activities
- Mainstreaming the activities of the groups by frequent interaction with various developmental agencies

***Training workshop on village banking:***

ACORD. (1998)

Southern Zone Savings and Credit Scheme, Mandefera 9-16 February 1998.

A 'village bank pilot project' was begun in three villages in 1997. This workshop was designed to train village bank committees in aspects of village bank management and also to act as a forum for the exchange of experiences and ideas. An interactive learning style was used, including role-plays, PRA techniques, group work and discussions. The report is organised in two parts. The first is the training workshop plan and can serve as a manual for trainers for a repeat workshop. The second part documents the group work.

*To get a FREE copy please contact: Richard Ewbank at ACORD, Dean Bradley House, 52 Horseferry Road. London. SW1P 2AT.UK, Fax: 0044 (0)171 7991868.*

*Or write to: ACORD P.O. Box 5538. Asmara, Eritrea, Fax: 002911-182121*

***Reflect Mother Manual: regenerated Freirean literacy through empowering community techniques.***

David Archer, & Sara Cottingham (1996)

ActionAid, London.

REFLECT is an approach to adult literacy that fuses the theory of Paulo Freire and the practice of participatory rural appraisal (PRA). The Mother Manual explains the background to the approach and illustrates a wide range of tools and methods arranged into units by theme. Of relevance to micro-credit and micro-economic analysis are the following tools: Income/expenditure tree and calendar; Matrix on sources and uses of credit; Household economy systems diagram; Process diagram of dairy production; Pie charts on Income/Expenditure; Projections on loan use.

*How to get a copy: Complete Manual costs £10. Photocopies of relevant pages (131-140 & 164-171 can be requested free of charge from: Kate Metcalf, ACTIONAID International Education Unit, Hamlyn House, Archway, London. N19 5PG. Tel: 0044 (0)171 281 4101; Fax: 0044 (0)171 263 7599; Email: [katem@actionaid.org](mailto:katem@actionaid.org).*

***Micro-Credit And Participatory Planning***

Sheelu Francis (1998)  
Kalenjium, India

This short report describes the findings of a field worker's participatory study of the credit situation in a village in Tamil Nadu, India

*How to get a free copy: Contact TNRT, "Kalanjium", 59A/1 Chengalvarayan Maistry Street, Ramalingapuram, Chennai-600 012, India. Phone: 91 44 6448990; Fax: 91 44 6440094; Email: [sheelu@giasmd01.vsnl.net.in](mailto:sheelu@giasmd01.vsnl.net.in).*

***Impact Assessment Methodologies For Microfinance : a review***

David Hulme, (1997)  
Institute for Development Policy and Management, University of Manchester

This paper reviews the methodological options for assessing the impacts of micro-finance programs in the light of their costs, feasibility and impact assessment (IA) objectives. The recent rise in micro-finance programs as a strategy for poverty reduction, enterprise development and economic growth makes this an important issue as claims about the benefits generated by micro-finance have outstripped the evidence that is presently available.

The paper views impact assessment as being "...as much an art as a science...". Enhancing the contribution that impact assessment can make to development goals requires better science and better art. The scientific improvements relate to improving standards of measurement, sampling and analytical technique. Econometricians and statisticians are particularly concerned with this field. In the future it might also involve the establishment of minimum standards (or a code of practice) for certain types of impact assessments. Improving the 'art' of impact assessment has at least three strands. One concerns making more systematic and informed judgements about the overall design of IAs in relation to their costs, specific objectives and contexts. The second is about what mixes of impact assessment methods are most appropriate for any given study. The third relates to increasing our understanding of the ways in which the results of IA studies influence MFI policy makers and managers.

The reader should be aware that this paper seeks to identify key issues and explore them to promote debate on how to improve IA: it does not claim to solve the inherent problems of IA! (abstract taken from introduction to paper).

*How to get a FREE copy: Contact Cath Baker, Institute for Development Policy and Management, University of Manchester, Crawford House, Oxford Road, Manchester M13 9GH. Tel: 44 161 275 2809, Fax: 44 161 273 8829. Email: [cath.baker@man.ac.uk](mailto:cath.baker@man.ac.uk)*

***Small Enterprise Development: Using Participatory Rural Appraisal For Market Survey Of Community Level Income Generation Programmes.***

Ravi I. Jayakaran, (1997)

Volume 1. Pune: World Vision of India.

Market analysis is important at both the wider village/community level and at the level of the individual micro-entrepreneur. A method based on a community level appraisal of business opportunities, using different ranking techniques combined with structured interviews with representatives from different micro-trades is illustrated in this easily accessible manual.

*For a copy please contact:* West Zone, World Vision of India, 47 Fatima Nagar, Pune - 411 013. India. Fax: 0212 612278; Email: [ravi\\_jayakaran@WVI.org](mailto:ravi_jayakaran@WVI.org).

***Marketing Strategy: Training Activities For Entrepreneurs***

S. Kindervatter, with M. Range (1986)

OEF International: Washington, D.C.

OEF International has worked in collaboration with indigenous organisations to enable women entrepreneurs to improve their businesses. However women talk about difficulties in competing with other producers, in creating a product that people want to buy, and in getting their products to the buyers. "Marketing Strategy" provides a means for women to solve these problems and to increase their business profits. The activities enable women to examine new ideas about marketing and apply these ideas to their own businesses.

The manual includes a series of training activities organised into the following sessions: learning about ourselves and the program; the marketing game; what is effective marketing; a marketing story; visiting local businesses; creating marketing messages; improving practices/solving problems; expanding our business; developing our marketing plans; and follow-up meeting: marketing progress reports.

*How to get a copy (Cost \$15.50 plus postage): Contact Women Ink., 777 United Nations Plaza, New York, NY 10017 USA. Fax: 212-661-2704; Email: [wink@womenink.org](mailto:wink@womenink.org); WWW: <http://www.womenink.org>.*

***Getting Down To Business: a manual for training business women***

U. Kraus-Harper and M. Harper (1992)

IT Publications: London

This manual is designed to assist trainers to organise and conduct more effective training courses for women in business. It is intended for anyone who is responsible for designing, managing or actually conducting business training for women. It provides detailed guidelines for a full course of 29 sessions, which can also be used on their own or as components on the programmes, together with suggestions as to how the handouts, case studies and other exercises can be adapted to local circumstances. It also includes material on the special training needs of businesswomen, on recruitment and selection of participants and on how to evaluate training.

*How to get a copy: Order from Intermediate Technology Publications, 103/105 Southampton Row, London, WC1B 4HH, UK. Tel: +44 (0)171 436 9761; Fax: +44 (0)171 436 2013 Email: [itpubs@itpubs.org.uk](mailto:itpubs@itpubs.org.uk).*

*WWW: <http://www.oneworld.org/itdg/publications/index.html>*

***Participatory Learning For Women's Empowerment In Micro - Finance Programmes: negotiating complexity, conflict and change***

Linda Mayoux (1998)

IDS bulletin 29, no.4, 39-50, Institute of Development Studies, UK

Micro-finance programmes for women are currently promoted not only as a strategy for poverty alleviation but also for women's empowerment. However, the complexity of empowerment itself and linkages with policy make conventional research methodologies extremely lengthy and costly. This article proposes frameworks and participatory methodologies for integrating empowerment concerns into ongoing programme learning. These would themselves be a contribution to empowerment. First, programme staff would be given a more representative and reliable exposure to the priorities and problems of programme participants. Second, it would develop networks and a forum for discussion between women themselves on issues relevant to their interest and integrated into programme decision-making. The quantitative and qualitative information obtained by programmes and clients on an ongoing basis would be directly and immediately available to inform policy decisions and enable independent outsider research to be cost-effectively targeted to issues where it is really needed for policy development.

*How to get a copy: Bookshop, Institute of Development Studies, University of Sussex, Brighton BN1 9RE, UK. Tel: +44 (0)1273 678269; Fax +44 (0)1273 621202/691647; E-mail: [publications@ids.ac.uk](mailto:publications@ids.ac.uk). order on the web at [www.ids.ac.uk](http://www.ids.ac.uk)*

***Micro-credit: Alternative management systems for savings and credit of the rural poor***

MYRADA

<http://www.myrada.org/html/table.htm>

This website reports on the micro-credit management groups used in MYRADA projects. This involves the formation of Self-Help Groups that are based on existing affinity groups within communities and stabilising and strengthening them with the aim of withdrawing after 16 to 36 months. The report describes their experiences, and offers guidelines and recommendations for setting up such groups and linking the groups with bankers. There are also chapters on women's micro-credit management groups and monitoring systems for such projects.

*For a free copy on paper please contact: MYRADA Head Office (Bangalore); No. 2 Service Road; Dumlur Layout; Bangalore 560 071, India. Phone: 091-80-5543166, 5564457, 5572028, 5578279; Fax: 091-80-5569982; Email: info@myrada.org; WWW: http://www.myrada.org*

***REFLECT, savings and credit in Bangladesh.)***

*F. Nessa et al. (1998)*

*PLA Notes No 32: 54-56. IIED, London.*

This article is based on a case study from Bangladesh where the REFLECT approach was introduced in an NGO that operated a credit and savings scheme. The scheme aimed to improve women's literacy and numeracy skills necessary to run their own business; to develop their analytical and business skills; and to improve their status within their family and society as a whole.

*For one free copy of PLA notes, or for a subscription contact: IIED, 3 Endsleigh Street, London, WC1H 0DD, UK; Tel +44 (0)171 388 2117; Fax: +44 (0)171 388 2826; Email: sustag@iied.org; Internet: http://www.iied.org*

*Local Contact for a copy of the article: Fazilatun Nessa, Begum Rokeya 7 Achitan Mazumder, REFLECT co-ordination Unit, House 41, Road 8, Dhanmondi RA, Dhaka 1205, Bangladesh. Tel: +880 2 811763; Fax: +880 2 881604; Email: aab@dhaka.agni.com*



***Participatory Monitoring And Evaluation: a prototype internal learning system for livelihood and micro-credit programs***

Helzi Noponen, (1997)

Community Development Journal, Vol.32, no.1: 30-48.

This article describes the logic, structure and mechanics of a participatory monitoring and evaluation system designed for group-based savings and credit programs and provides illustrations to highlight certain key elements. Preliminary results of field tests are also discussed. In the system the participant communities not only collect data but also analyse, act upon it and 'own' the data. The groups share the internal learning with donors and assisting development organisations.

*For a copy please contact: Community Development Journal, Great Clarendon Street, Oxford, OX2 6DP. Tel: 44 (0) 1865 267827; Fax: 44 (0) 1865 267782; Email: [gribbenj@oup.co.uk](mailto:gribbenj@oup.co.uk).*

***Chapati diagramming: an account made to use it in problem solving. R.***

Ravi Prakash, (1997)

MYRADA. PRA-PALM series no.12, Bangalore: MYRADA.

This article includes a detailed description of chapati diagramming and case study from India of how it was used by a women's credit and savings group to critically examine their own performance. Three separate diagrams were made by the women, the first of which looked at the performance in terms of participation by members in the building of the capital of the institution, the second at participation in the business of the institution and the third in its management. Three months after the exercise was carried out the results appeared to be positive in that there was an increase in the regularity and amount of saving and overdue loan instalments were recovered.

*For a free copy contact: MYRADA, No 2 Service Road, Domlur Layout, Bangalore 560 071, India. Fax: 091 80 556 9982; Email: [myrada@blr.vsnl.net.in](mailto:myrada@blr.vsnl.net.in)*

***New Uses Of PRA In Connection With Appraisal Of Micro-Enterprise In Eritrea.***

Christian Sorensen (1998)

ACORD, Eritrea

Participatory Rural Appraisal (PRA) is increasingly being applied to almost all kinds of development purposes, but it has no great track record in relation to micro-enterprise interventions. Why? Possibly because PRA tools tend to focus on groups of people, while micro-entrepreneurship is mostly individual. This paper looks at the case study of the Southern Zone Savings and Credit Scheme (SZSCS) in Eritrea which, in 1997, started

putting participation up-front in all aspects of its programme. Two sets of PRA methods were developed: i) in relation to appraisal or feasibility studies of the household economy; and ii) an alternative method for micro-investments which did not involve money at the investment stage, only family labour time and non-costed resources. Problems with these methods and possible solutions are briefly discussed.

*For a FREE copy, please contact: Richard Ewbank, ACORD, Dean Bradley House, 52 Horseferry Road. London. SW1P 2AT.UK Fax: 0044 (0)171 7991868.*

### **The Microfinance Gateway Website**

The Consultative Group to Assist the Poorest & The Institute of Development Studies, U.K (2000) <http://nt1.ids.ac.uk/cgap>

The Microfinance Gateway website is a one-stop microfinance information hub on the web. It is a forum for MFI practitioners, NGOs, Donors, and others to learn about microfinance topics and to share their knowledge.

The search facility allows you to access an on-line library with an extensive collection of over 2000 documents and practical tools including 500 documents available on-line. You can also take a tour of the library by visiting the key topics section with a selection of documents and several discussion forums. The industry services section provides you with useful information on microfinance training and conferences, job opportunities, web links and more. The communicate page allows you to contribute to the site by suggesting new information and documents to enrich the database. You may also sign up for e-mail bulletins to keep you updated on latest microfinance issues.



<http://nt1.ids.ac.uk/cgap>

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