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MICROENTERPRISE INNOVATION PROJECT—MICROSERVE

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WOMEN'S ENTERPRISE DEVELOPMENT PROJECT

Mid-Term Evaluation Report
Delivery Order No. 6

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MID-TERM EVALUATION

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Microenterprise Development Office
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ACRONYMS

AEO	Assistant Extension Officer
ASA	Association for Social Advancement
BKB	Bangladesh Krishi Bank
BSCIC	Bangladesh Small and Cottage Industries Corporation
BRAC	Bangladesh Rural Advancement Committee
CO	Center office
DAI	Development Alternatives, Inc. (USA)
EO	Extension Officer
FA	Field Assistant
FY	Financial Year
GENESYS	Gender in Economic and Social Systems
GOB	Government of Bangladesh
GS	Group Savings
HO	Head Office
IDA	International Development Association
LIF	Loan Insurance Fund
LO	Loan Outstanding
LRF	Loan Recovery Fund
MFI	Microenterprise Finance Institution
MIS	Management Information System
NGO	Nongovernmental Organization
PKSF	Palli Karma Shahayak Foundation
PROAG	Project Agreement
PP	Project Proforma
PS	Personal Savings
RAKUB	Rajshahi Krishi Unnayan Bank
RLF	Revolving Loan Fund
SERWTCI	Self Employment for Rural Destitute Women in Trade and Cottage Industry
SMC	Social Marketing Company
SNAT	Sector Needs Assessment Team
SOW	Scope of Work
TA	Technical Assistance
Tk	Taka (Bangladeshi currency; exchange rate is $1=Tk 40)
TOR	Terms of Reference
TRDEP	Thana Rural Development Extension Project
USAID	United States Agency for International Development
WEDP	Women's Enterprise Development Project

EXPANDED SUMMARY OF FINDINGS AND RECOMMENDATIONS

A. Introduction

Project background. The current Bangladesh Women's Enterprise Development Project (WEDP) evolved from the redesign of earlier projects, which began in 1982, to provide skills training and credit to women-owned and/or operated enterprises. Although the earlier projects used banks to disburse credit in efforts to increase women's participation in and benefits from viable businesses, the present WEDP aims to ensure sustainability beyond USAID support by introducing a system of direct credit administration.

The project is managed by the WEDP Unit under the Bangladesh Small and Cottage Industries Corporation (BSCIC) through 37 WEDP centers at the thana (local administrative area, or subdistrict) level with a total of 331 employees. The WEDP Unit is located in Dhaka and has 23 employees. On average, each center has nine employees, five of whom are credit officers.

USAID has supported the project since 1982. The project's cost is $5.5 million for a five-year period, from September 1992 to August 1997. Of this amount, USAID funds $4.15 million for short-term capacity-building assistance, studies, and training; on-lending to WEDP centers retailing credit; and operating expenses of all centers and some head office costs. The Government of Bangladesh (GOB) contributes the balance of $1.375 million. USAID support to WEDP has continued through the years based on the recommendation of past evaluation studies and the project's visible positive benefits.

WEDP microenterprise finance. The introduction of a system of direct credit administration has transformed more than half of WEDP into microenterprise finance units. Twenty-two of the 37 WEDP field offices have become financial service providers, while the rest continue to function as extension agents to bank-disbursed credit. Two parallel subprograms are, in effect, being managed by the WEDP Unit.

Direct lending activities began in April 1995, a year behind schedule as a result of USAID/Washington's late delivery of technical assistance (through the Gender in Economic and Social Systems [GENESYS] project) for designing the credit methodology and management information system (MIS). The initial stages of implementing the new credit scheme also coincided with an adverse political situation in the country.

Evaluation objectives. This evaluation focuses on the following three issues:

- Performance of the system of direct credit administration;
- WEDP's benefits to its clients and whether they meet project expectations; and
- Sustainability of the project and its benefits.

The evaluation team reviewed project documents; interviewed officials of government agencies, USAID, and microfinance institutions (MFIs); and visited four WEDP centers (in Savar, Munsigonj, Hathazari, and Poba), surveying their clients. Four case studies of individual borrowers were also prepared. The team received excellent cooperation from the WEDP staff, BSCIC, USAID, and other agencies.

B. Project Implementation Status

Table 1 compares data of the current WEDP with that of its predecessor.

Table 1. Comparison of WEDP Then and Now*

Indicator	Earlier Phase of WEDP (1982-1996)	Current WEDP (1990-1996)
Number of centers	20 (end of 1989)	37
Number of loans	44,133	34,298
Total loan amount⁺	mil. Tk 1,906.14[1]	mil. Tk 154.87
Borrowers	37,951	26,934
Clients trained	39,369	28,548
Employment "creation" (job created for a nonpaid family member or paid nonfamily member)	101,203	66,715
Wage employment (job paid on a salary or piecemeal basis)	50,714	30,204

* As of September 1996.
⁺ Amounts are in nominal values.
Source: WEDP.

Under the current WEDP, the direct credit centers had a remarkable 100 percent loan recovery rate, whereas bank-disbursed credit achieved an 85 percent recovery rate. The overall recovery rate of 96 percent as of July 1996 represents the total amount of principal recovered over the total amount due.

On average, for every loan disbursed, about two persons are employed by the loan recipient. Since 1990, more than 66,000 persons have been provided full- or part-time employment in enterprises assisted by WEDP centers. The evaluation team's field survey found a ratio of 2.64 persons fully or partially employed per current loan, with 1.74 with full-time and 0.90 with part-time employment. This is discussed in detail in Annex E, Client Impact Assessment.

Direct credit methodology. The WEDP credit scheme adapts some of the methods made famous by Grameen Bank, such as group mobilization and guarantee, regular and frequent loan installment, and compulsory savings. Table 2 (on page v) summarizes this methodology.

> The WEDP credit system is unique as a woman-run and predominantly woman-staffed program of the Bangladesh government.

[1]The exchange rate used for the Bangladesh taka is $1=Tk 40.

WEDP's market niche is comprised of extremely and moderately poor women and women entrepreneurs of modest income who are within the "gray area" of microenterprise status. WEDP credit ranges from Tk 4,000-5000 to Tk 60,000 for a wide variety of viable income-generating projects and microenterprises. To date, no loan has reached Tk 60,000 and only a few loans have exceeded Tk 10,000.

Table 2. Summary of WEDP Credit Methodology

Loan term	• Twelve months, with 24 biweekly payments • Two-week grace period
Loan size	• Minimum: usually Tk 5,000 permitted • Maximum: Tk 60,000 • Only one loan permitted at a time and per family
Payment schedule	• Every 2 weeks through group meetings
Interest rate (nominal)	• Sixteen % flat per annum
Interest rate (effective)	• Twenty-nine % excluding effect of forced savings
Savings requirements	**Personal savings** • Five % of desired loan amount must be deposited in savings before taking the loan proceeds • Savings returned after loan completion and interest is paid at the prevailing bank rate (4% to 5%) **Group savings** • A new group must save Tk 10 biweekly for 3 months before initial loan starts; thereafter, it must save Tk 10 every 2 weeks
Group size	• Generally 5 to 15 members per group; flexible
Post-loan supervision	• Center staff follow up every 2 weeks during group meetings to collect loan installments and group savings and discuss problems
Incentive to borrower	• With good repayment behavior, a borrower can access larger repeat loan
Option for individual loan	• Women entrepreneurs who do not wish to be part of a group can access WEDP loans as individual borrowers.

WEDP's flat interest rate of 16 percent per annum (effective rate of about 29 percent) appears higher than other microfinance programs. Nonetheless, clients prefer WEDP credit because it requires biweekly, not weekly, group meetings and installment payments and offers the option of extending comparably larger loans to repeat borrowers.

Financial status under direct credit system. In a short time, from April 1995 to June 1996, 22 centers disbursed $1.124 million in loans. Savings generated amounted to 12 percent of loans outstanding, a significant achievement that augurs well for developing the project toward a savings-based credit system. Presently active borrower-savers total 7,366. Table 3 provides selected information on direct credit.

Table 3. Selected Financial Indicators for Direct Credit As of June 1996

Financial Indicator	Amount in Takas	Equivalent US$ Million ($1 = Tk 40)
Credit operations		
Total loan disbursements	44,974,500	1.124
Loan recovery principal	17,761,728	0.444
Loan interest recovery	2,885,608	0.072
Loans outstanding	27,212,728	0.680
Total credit fund, June 1996	36,559,725	0.914
Savings generation		
Groups savings	1,083,947	0.027
Compulsory savings	2,144,522	0.054
Total saving	3,228,469	0.081
Ratio to loans outstanding	12%	
Number of borrower-savers (September 1996)	7,366	
Average loan outstanding/borrower	3,694	$92
Average savings	438	$11

C. Assessment of Project Impact

Although the survey for this evaluation did not employ a representative sampling method, following is a summary of the team's findings gleaned from meetings with 143 WEDP women clients.

Seventy-five percent of the clients are poor; 6 of 10 are illiterate. WEDP borrowers come from 50 percent of the population below the poverty line. A quarter are extremely poor and a half are moderately poor. Another quarter are somewhat above the poverty line, but are reached neither by banks nor by poverty-focused financial institutions.

The impact of WEDP assistance on income and assets is positive. One out of five borrowers makes a major contribution to household income. One out of two acquired assets with their loans. The loans are small, generally below $250, averaging $140, financing a wide variety of microenterprises that women engage in—from poultry and cow rearing to food processing, garments making, embroidery, pottery making, bamboo and other crafts, broom making, small trading activities, mini variety stores, rice husking, and many other activities. A quarter of the clients have been financed by WEDP loans to start new businesses. The rest were assisted by WEDP loans to expand existing enterprises.

Qualitative impacts are equally important. Many of the women surveyed reported that there is less tension in the household because of less financial strife; they have better food on the table and a greater ability to meet their children's educational expenses. A few have increased their personal savings in the form of voluntary savings. All have, in fact, increased their assets in the form of financial savings through WEDP's savings schemes.

About 2.64 persons are fully or partially employed per current loan. Full- and part-time employment creation for the borrowers themselves is the most significant effect of WEDP assistance. WEDP-assisted businesses created full-time employment for 60 percent of the borrowers, and part-time employment for 31 percent. Of these women, at least a quarter had no source of monetary income prior to getting a WEDP loan. A quarter of the women reported employment generation for other household members; a quarter similarly reported hiring labor.

Based on evaluation team findings, roughly 19,450 persons are employed in all enterprises currently financed by 22 centers. Of this number, some 12,820 (66 percent) are employed full-time, while about 6,590 (34 percent) are employed part-time. Fully employed persons include the borrowers themselves, husbands, other family members, and hired laborers including adults and children. Wage labor per current loan is about 0.81; wage labor created since the first WEDP loan is about one-half of this ratio.

WEDP has made a major positive impact on women's business management capabilities. Ninety percent of the women surveyed have businesses in which they have a significant role. More than one-third manage their businesses on their own, while 6 out of 10 decide on their own how to spend their earnings. These percentages are considerably higher than what was reported in a 1989 evaluation of WEDP, with 13 percent and 5 percent, respectively. Moreover, WEDP clients report achieving improved status in the household and in the community.

The purpose of the project is clearly being attained for the current clients. It can, in the future, be achieved more efficiently and for far more clients if the existing constraints and the corresponding recommendations in this evaluation are accepted and implemented.

As to the likely continued impact of the WEDP program over the remainder of the project period, current clients will likely continue to benefit as they have in the past. The remaining project period of less than a year is assured of on-lending funds and support for operating expenses. However, not much additional expansion may be possible because the balance of on-lending funds from the USAID grant is nearly exhausted.

D. Assessment of Technical Assistance and Training Inputs

Up to 18 months of short-term foreign consulting assistance and 10 months of local consulting assistance were programmed to help WEDP improve its credit administration and MIS, to assess selected microenterprise subsectors to provide options for WEDP, and to improve WEDP staff capability to conduct subsector analysis to reach "growth-oriented" enterprises. The delay in the delivery of technical assistance (TA) mentioned earlier had dire consequences on the project.

The TA that designed the new credit methodology proved very helpful. The staff training on credit methodology conducted by a local consultant was also effective in equipping field officers with the basic knowledge and skills to begin their "banking" functions. TA from a local accounting firm to design and subsequently train the staff to use the new accounting system was satisfactorily completed and is useful.

Senior extension officers also received short-term (four to six weeks) study-observation training on microenterprise development in India. There, they shared the experiences and management of successful microfinance schemes and learned new approaches. Most trainees feel that what they learned helped them in their direct lending functions. Unfortunately, no further continuing knowledge and skills training has been received by the staff, and many of the credit officers have not received any training.

The TA for designing the MIS and the subsector analysis are assessed unfavorably. This assistance has not improved WEDP capabilities, implementation of the TA was ill timed, and outputs were completed hurriedly to meet deadlines with little sensitivity to ground-level needs. The subsector analysis has been useless. The MIS designed by a foreign consultant and contracted to a local firm for implementation failed to deliver a functional MIS. A local programmer, subsequently contracted by

USAID, is working to make the MIS functional. Problems remain, and an uncertain future faces the MIS after the current project is completed. No one in the WEDP head office has a close working knowledge of the computerized MIS.

E. Assessment of Institutional Performance

Achievement of program targets. Direct credit methodology is working; the field staff is delivering. Targets are being met and surpassed, but existing constraints threaten sustainability. The new credit system has performed much better than the bank-linked system. The recovery rate is 100 percent. The cost-efficiency target is exceeded. Savings are being generated and have reached 12 percent of loans outstanding. Most important of all, the operational self-sufficiency level (ratio of loan interest income to operational expense) at 24 percent surpasses the target of 15 percent. Some centers have reached more than 40 percent in a short period.

Targets have been met despite adverse circumstances, organizational limitations, shortage of credit funds, and policy and procedural constraints. Moreover, field staff practically navigated the system on their own because of a lack of continuous training and effective supervision from the head office.

Nevertheless, 76 percent of the centers' direct operational costs are yet to be covered by interest income, and the net lending spread is a negative 40.3 percent. Until August 1997, the centers' operating costs are being funded by a USAID grant. The constraints mentioned above remain, and threaten future project viability and sustainability.

Sustainability issues. Center outreach and productivity: under a direct credit system, center productivity is four times higher than previous phases, but still much lower than other viable microfinance institutions (MFIs).

Twenty-two WEDP retail centers reach a total of 10,736 borrowers of which 7,366 are direct borrowers, and 3,370 (31 percent) are clients who have past-due loans with banks. Sixteen centers out of the 22 are still recovering past-due loans from the latter. The following ratios per unit are revealed:

Productivity Measure	Number of Borrowers under Direct Credit	Number of Borrowers: Direct Credit Plus Bank-Linked (September 1996)
22 centers: total	7,366 (69%)	10,736 (100%)
Average per center	335	488
Average per staff	37	54
Average per credit officer	66	73

About 20 to 30 percent of center staff time is spent in recovering old bank loans and is not compensated for because centers do not get any share of the interest income from recovered loans turned over to banks. (Interest income sharing is still an issue that WEDP management should pursue.) Because of this, the productivity ratios for direct credit are the relevant ratios in analyzing program sustainability.

Other MFIs serving poor clients with much smaller-sized loans are sustainable at much higher productivity ratios. They operate field units with fewer staff and at lower operating cost. Each credit officer services about 350 clients and a bigger loan portfolio. The table below illustrates these points. A microfinance institution in the private sector, the Association for Social Advancement (ASA), began its credit program in 1991, became operationally self-sufficient in about three years, and subsequently was able to reduce its interest rate.

Table 4. Comparative Productivity Measures: WEDP and ASA

Indicator	WEDP Field Office (FY 1995-96) (First year of direct credit system)	ASA Field Unit (1992) (First year of credit operation)	ASA Field Unit (1995)
Number of staff	9	5	5
Active borrower per field unit	335		1100
Active borrowers/credit officer	66	94	**218
Operating cost per field unit	Tk 552,269	not available	Tk 277,200
Cost per 1 Tk lent	Tk 0.30	Tk 0.17	Tk 0.077
Cost for making one loan	Tk 1,650	Tk 327	Tk 240
Average loan portfolio/credit officer	Tk 206,730	Tk 125,496	Tk 373,370
Operating self-sufficiency	24% (center cost only)	59%	113.84%
Interest rate per year	16% flat	15% flat + 2% loan insurance fee per loan	12.5% flat + 2% loan insurance on each loan (reduced to 1% in 1996)

** By September 1996, this had increased to 360 active borrowers per credit officer.

There is enough demand for WEDP loans, and there is also enough field manpower capability to service more clients. WEDP's productivity ratios can easily double in two years to reduce or eliminate the high level of subsidy. Full financial self-sufficiency is possible in another year with productivity ratios rising three times higher than they are now. However, the constraints the program faces must be addressed quickly.

Factors affecting WEDP sustainability. The present interest rate, although perceived to be high, is appropriate at the moment. The major obstacles to sustainability are (1) the policy and procedural bottlenecks and inflexibility, (2) inadequate credit resources, and (3) institutional and structural limitations that stunt growth.

Interest rate issue; other credit policy and procedural issues. The interest rate is critical to the issue of self-sufficiency of microfinance programs. Because loans are small, transaction costs are usually high. Appropriate interest rate policy is thus essential for covering the cost of lending. If the cost of credit delivery is not fully covered by income, the credit program cannot be sustainable and risks remaining dependent on grants and subsidies. But grant and subsidies from donors are thinning out and will soon be a thing of the past.

There are pressures to reduce the present WEDP interest rate. However, the evaluation team strongly feels that this is the right pricing policy to keep until WEDP becomes financially self-sufficient. Reducing the interest rate before reaching this stage would degrade the self-sufficiency level WEDP has attained and hurt, rather than help, program clients in the long-run.

The increasing ground-level competition among microfinance intermediaries offering credit at a lower price should not be perceived as a threat to the program. WEDP credit is a unique product serving a different market niche. Hence, despite a higher interest rate, clients generally prefer WEDP over other loan sources.

Reforming other credit policies and procedures will effectively reduce the burden and cost of getting a WEDP loan, not to mention the positive impact on staff efficiency. These reforms are presented later.

Inadequate credit funds. The critical issue is getting additional on-lending funds to pursue expansion. With expanding demand, fund shortage has become more serious. Credit funds for direct lending have come solely from the USAID grant. This resource has been augmented to some extent by loan interest income as field operating expenses are paid for, too, from the grant. Savings mobilized should have been an additional source of loanable funds. Unfortunately, savings generated by the centers under the project are not recycled as loans but are merely kept with banks, a situation that ought to be changed.

Credit funds are being rationed to the centers, and, consequently, to clients who wait to be served from repayment flows. Given this situation, centers with adequate capability to expand cannot do so and, therefore, are unable to generate more income, increase productivity, and reach a much higher level of self-sufficiency. WEDP management, however, is organizationally hindered from seeking additional credit resources.

To allow WEDP centers to be operationally and, eventually, financially self-sufficient, the performance targets and financial inputs that are needed are summarized in Table 5 below.

Table 5. Level of Center Performance: Present and Required for Operational and Financial Self-Sufficiency

Performance Indicators	Present (FY 1995-96)	Required for Operational Self-Sufficiency	Times (X) Increase over Present	Required for Financial Self-Sufficiency	Times (X) Increase over Present
Number of active borrowers per center	335	900	2.7X	1000	3.0X
Productivity: loans per center staff	37	100	2.7	111	3.0
Loans per credit officer	66	180	2.7	200	3.0
Average size of loan disbursed	Tk 5,590/loan	Tk 8,080	1.4	Tk 11,335	2.0
Average loan outstanding	Tk 3,694/loan	Tk 4,200	1.14	Tk 5,895	1.6
Average loan outstanding per center (mil.)	Tk 1.24 mil.	Tk 3.79	3.1	Tk 5.89	4.8
Interest income to average loan portfolio in year	12.7%	18%	1.4	18%	1.4
Interest income/center	Tk 131,164	Tk 682,850	5.2	Tk 1.061 mil	8.1
Credit fund needed for 22 centers: total	Tk 36.3 mil. ($0.885 mil)	Tk 83.5 mil. ($2.0 mil.)	2.3	Tk 129.7 mil ($3.16 mil)	3.57
Average loan fund/center	Tk 1.65 million	Tk 3.8 million	2.3	Tk 5.9 mil	3.57

Given the existing interest rate and field manpower. WEDP centers can easily expand to reach 1.000 to 1.250 active borrowers and increase income without necessarily increasing substantially the average loan size.

To target full operational self-sufficiency, the level of core loanable funds should increase more than twice its present level to Tk 83.5 million ($2.0 million), including the existing credit fund of Tk 36.35 million ($0.87 million). To operate toward a level of full financial self-sustainability, the credit fund requirement, including existing funds, will be $3.16 million. Financial self-sufficiency calculations assume a financial cost at 7 percent and provisions for bad debt at 2 percent of average loan portfolio.

Institutional and structural limitations. Within the existing governmental framework, inherent constraints limit how far WEDP can grow. Nevertheless, within this framework, BSCIC has successfully nurtured and assisted WEDP to a stage of near maturity. It is time for BSCIC to take another bold initiative to help WEDP progress into an independent financial intermediary institution.

BSCIC should receive credit for daring to experiment with a unique method of providing financial services to women entrepreneurs. After much investment and 14 years of nurturing, WEDP should now be allowed stand on its own and face the challenges with more independent management and continuous sustainability pressures. It is also time to shed its grant-driven operations toward operations based on internal strength that generates resources. By this, BSCIC and other deserving groups needing its help will also be benefited, because resources would then be freed and could be used by BSCIC to nurture similar projects. In the case of WEDP, maintaining WEDP's direct credit centers would cost BSCIC Tk 16.0 million or more yearly for operating expenses.

The BSCIC initiative to provide WEDP with its own legal personality would be consistent with the present GOB thrust toward privatization and the growing trend among bilateral and multilateral agencies to support poverty-reduction programs through private initiatives. The BSCIC initiatives would also be consistent with the recent recommendation of the Sectoral Needs Assessment Team (SNAT) for the Ministry of Industries (on Women-in-Industries), which has suggested that the Ministry of Industries should "scale up the WEDP program and give it an independent institutional shape...."[2]

Spinning off a project from within the government into a separate and autonomous legal entity is not new in Bangladesh. The Self-Employment for Rural Destitute Women in Trade and Cottage Industry (SERWTCI) has been created as a trust from within BSCIC. Social Marketing Company (SMC), previously within the Ministry of Industries, has been functioning as a not-for-profit company. Grameen Bank started as a project within the Ministry of Finance; it is now the biggest successful private microfinance bank for the poor.

F. Recommendations

The following recommendations should be addressed during the remaining life of the project. We begin with the most critical recommendations on institutional transformation because many of the other recommendations can take place only after a new institutional arrangement is in place.

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[2] From the "Report on Women-in Industries," prepared by Huda, Pal and Syed, Sectoral Needs Assessment Team, for the Ministry of Women and Children's Affairs (October 1996).

Institutionalize WEDP. WEDP should be legally structured as a trust under the Trust Act of 1988. The capital of the trust could be formed from the donation, by the government, of the assets remaining in the project as of June 30, 1997.

A board of trustees, which would oversee the use of the trust assets, should be made up of representatives from the GOB, USAID, nongovernmental organizations (NGOs), and community leaders. The beneficiaries of the trust would continue to be women entrepreneurs from poor and near-poor households. It is strongly recommended that the current WEDP director carry on as the managing director in the implementation of the trust activities.

The evaluation team recommends that the GOB provide a one-time and final grant of about Tk 19.0 million ($0.475 million) to support the operational expenses of the trust. Equivalent to two-thirds of the operating expenses of 22 centers for two years, this amount is necessary for the continuity of direct credit center operations and ensuring that benefits to clients are sustained during the organizational transition phase.

It will be necessary to employ a designated person to work on and promote the necessary institutional and organizational changes. Change will happen only as the result of detailed and well-designed proposals and several rounds of discussions with the parties involved in WEDP. The actions need to take place within a three-month time frame to address the urgency of the matter through a series of steps outlined below.

Time Frame	Action	Objective	Institutions/Persons Involved
	Initial meeting	Discuss the future institutional form and needs of WEDP	BSCIC, WEDP, USAID, local consultant
	Second meeting	Based on ideas from the first meeting, discuss proposals to institutionalize WEDP	BSCIC, WEDP, USAID, local consultant
	Third meeting	Finalize plan and, thereafter, prepare agreement	Consultant, WEDP
	Signing of agreement	Sign agreement creating WEDP into a legal entity	BSCIC, WEDP, USAID

It is recommended that USAID engage a local consultant to facilitate the above steps to their conclusion within a given time frame. The consultant will prepare the proposals and the final report, and conduct dialogues with the parties. The process, from the initial meeting to the formal signing of the agreement, will take about three months to complete. The level of effort for this consultancy is estimated at four weeks at a cost of $5,000.

After WEDP acquires its own legal personality, its board of trustees and management can take steps to address the requirements for further internal organizational strengthening to assist WEDP in becoming a microenterprise finance institution for poor and near-poor women entrepreneurs. These steps will be included in the proposal to be prepared by the local consultant.

It is further recommended that USAID obtain the services of the same local consultant to encourage the steps toward a pro-active and dynamic execution. The level of effort for this is estimated at six person-months, spread over a period of one year. The estimated cost is $15,000.

Address shortage of credit funds. The initiative to assist WEDP to the institutional development phase comes at the right time. in the context of dwindling external support to grant-driven projects in the government sector. Many of the sources suggest collaborations between a private initiative as a preferred option. as contrary to Project Proforma (PP).

Although WEDP's financial operations are severely constrained by a shortage of loanable funds, the Bangladesh economy fortunately has a wide range of microcredit sources with much lower interest rate and flexible terms and conditions. With the necessary institutional change in place. WEDP can establish a healthy linkage with available sources and attain its target in the shortest possible time. One such source could be the Palli Karma Shahayak Foundation (PKSF).

PKSF is a leading microfinance facilitating institution in the country, offering credit funds at the rate of 3 to 5 percent to partner organizations in the private sector. Most leading donors. such as the International Development Association (IDA) and the Asian Development Bank (ADB). are currently pledging larger credit funds through PKSF. Some of USAID's funding support to private organizations is also channeled through PKSF. This trend is expected to continue in the years to come.

WEDP could prove to be a good partner to PKSF provided that the PP-supported administration can be switched to an autonomous institutional framework.

Whether institutional transition is completed or not, efforts should be made to tap donors for additional loanable funds critical for moving toward self-sustaining operations. USAID serves as the focal point for organizing and coordinating this effort. USAID, also having supported WEDP this far, is a major stakeholder in what becomes of it after the present phase is completed, and should see itself as a major player in ensuring WEDP's future institutional autonomy.

Reform credit policies and procedures. The recommended reforms are generally aimed at reducing the burden of time and cost to the field staff and WEDP borrowers. These reforms are for WEDP management decision and action.

Credit Policy Reforms

Objective: To reduce the effective interest rate burden on the loan, WEDP should:

- Scrap the 5 percent personal deposit requirement, effective on prospective loans. Instead, WEDP should implement the loan insurance fund (LIF) that requires a borrower to pay 1 percent of the loan amount into a loan insurance fund against which claims may be made in case of death or incapacity of the borrower. The 1 percent fee is deducted in advance. The guideline and management of such a fund is contained in the design of the WEDP credit methodology.[3]

  The team recognizes the potential importance of the amount generated from the 5 percent personal savings requirement as a source of additional credit funds. Maintaining it is an option for management decision. There are ways to reduce its present upfront burden. For instance, reduce it to say, 3 percent, or integrate its collection in the loan installment. An

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[3] David A. Lucock, "Credit Methodologies for the Women Enterprise Development Program," submitted to USAID (GENESYS Project), October 1994.

up-front requirement can be tied to an incentive scheme to reward timely repayment—a higher interest rate of, say, 8 percent flat can be paid on such deposits to any borrower who always makes installment payments on time. It is important, however, that savings mobilized be used by WEDP for loans.

- Charge interest rates only for the period of actual use of the loan. For prospective loans, any excess interest payments should be returned to the borrower.

Objective: Provide reserves against bad loans to exercise financial prudence and preserve the integrity of the WEDP loan portfolio.

- Implement immediately the provisioning for loan losses as recommended in section 5.4 of the Loan Manual. The amount of provisions should be at least two-thirds of the weighted total of classified loans as shown in the MIS.

Objective: To augment present loanable funds and start building up credit funds from internally generated resources:

- Use available savings deposits for making loans. Necessary accounting, recording, and management will have to be incorporated into the present system.

- Introduce voluntary deposit instruments that pay the existing bank rate and allow withdrawals from such deposits. Successful savings schemes are usually based on a careful market analysis of what local savers like. A local consultant should be engaged to help study what WEDP clients prefer in a deposit instrument and to design the savings instrument(s).

Procedural Reforms

Objective: To further decentralize credit operations toward the center level, decrease lengthy processing time and burdensome procedures, and reduce WEDP's and borrowers' transaction costs.

- Increase approval authority at the centers to Tk 20,000. This authority level should be reviewed at least once a year to assess any need for change as a result of inflation and demand for bigger loan size from growing enterprises. Above this amount, loan approval should be directly the responsibility of the WEDP head office.

- Authorize extension officers at the center level to grant grace periods to borrowers in businesses that require a gestation period before the investment produces income.

- Remove loan application requirements that impose useless expense and time for clients, such as:

    - requirements for signatures of local council officials
    - roof of permanent residence
    - picture identification for repeat borrowers

- Drop the requirement that an unmarried woman (abandoned or divorced) have the signature of a male guardian or guarantor.

- Simplify loan documents by having only a two-page application form requiring information only on the borrower and her business and the ability to service the loan installments. This will reduce costs and save time for the field staff.

Institute improvements in staffing and training.

- Drop the USAID grant condition for a uniform minimum staffing of nine per center. Instead, WEDP should review the staffing of each center relative to its present productivity and prospects for increasing clientele, given available on-lending funds. Adopt proportionate staffing, and, based on the review mentioned above, shift personnel from centers that have excess staff members to centers that need additional ones.

- Review the staff incentive system. Re-orient and redesign the present system to one that will be based on income performance. Incentives for good performance do not necessarily have to be in monetary form. Being sent to special training, getting better equipment to work with, or receiving a plaque of recognition are some of the positive forms for motivating good performance.

- Conduct a re-orientation seminar on the policy and procedural changes that will be instituted. This seminar should be combined with a refresher course on the credit methodology, and additional practical learning on how to help borrowers develop business management and accounting skills. Seminar participants should include all extension officers, assistant extension officers, and field assistants in all of the 22 centers that are financial service providers. There should be a series of five two-day seminars, with at most 20-25 credit officers per seminar, conducted over a period of one month. It is further recommended that the seminar series be facilitated by a local consultant.

  The estimated cost of the seminar, including the fee for a local facilitator, is equivalent to $5,500 per training event. This should be replicated each year. It is recommended that USAID support at least three training events, the first one to be conducted as soon as policy and procedural reforms are instituted, while the remaining events can be held over the two-year bridging period.

- Provide for regular meetings of center staff at regional workshops to informally discuss problems encountered in assisting clients with business management and entrepreneurship skills.

- Provide center staff, including field assistants, with exposure training on "best practices" of other microenterprise finance institutions in Bangladesh. Similarly, encourage center extension officers to take the initiative to make contact, interact with, and learn from these other institutions at the local area.

- After a new organizational form and practices are in place, possibly during the second year of the bridging period, provide exposure training in countries with best practices in microfinancial intermediation, such as Indonesia, which has excellent models for voluntary grassroots savings mobilization, and the Philippines, which has successful, privately initiated rural banking and credit union models. The estimated cost is $3,800 per participant for a 12-day study-observation trip to Indonesia (six days) and the Philippines (six days), exclusive of travel time. At least two head office and eight center level officers should be sent on these foreign training tours. It is recommended that USAID support these foreign study-observation visits at a total cost of $38,000.

Improve management information system and evaluation. Regarding the client baseline survey, based on the findings and conclusions about the present state of the computerized MIS, the team strongly recommends to WEDP management the immediate:

- Cessation of data entry of client baseline survey forms; and
- Suspension of the administration of the questionnaire at the field level until it can be completely reworked and drastically simplified.

The major recommendation is to engage a Bangladeshi expert on impact studies to evaluate and rework the baseline survey and the computerized framework for its analysis immediately. The Bangladeshi expert, preferably on the team that conducted two client surveys for WEDP in 1986 and 1989, should rework the questionnaire, develop a much simpler set of baseline data for each client, and work out an analytical strategy that can both track individual clients and present various types of averages across clients. It is also recommended that USAID provide this local TA for 12 days at a cost of $2,500, including cost of travel to some centers for diagnostic purposes.

Computerized financial data.

- Update credit data entry; authorize overtime work if necessary, so that useful information can begin to reach WEDP management and field officers.

- Review the MIS manual to clarify terms and definitions that appear vague, and document the changes that the present computer programmer has made.

- Conduct verification of MIS output with field office data to resolve conflicting information.

- Engage the services of the present computer programmer for an additional six months (beyond March 1997) to make the MIS fully functional, and train persons in WEDP to run the system.

A special summary of the actions needed to be initiated by BSCIC and USAID is presented below (as attachments A and B) to this expanded summary. Following (Attachment C), is a listing of the types of support and funding requirements of WEDP during a two-year bridging period. The bridging period begins as soon as an agreement to establish the trust is formalized between the GOB/BSCIC and USAID.

Attachment A
Actions to Be Taken by GOB/BSCIC

Recommendation Reference	Action Needed
Institutionalize WEDP: form a trust	**Short-term:** BSCIC to take the step to spin off 22 direct lending centers by initiating the organization of a trust.
	GOB to donate the assets remaining in the present project at a date to be specified in the trust agreement.
	Provide a one-time and final grant of Tk 19 million to support two-thirds of the operating expenses of 22 centers over a two-year period that starts as soon as agreements to form a trust are formalized.
	Secondment to the new organization of the current WEDP director to carry on the task of institutionalizing WEDP.

Attachment B
Actions to Be Taken by USAID

Recommendation Reference	Action to be taken
Institutionalize WEDP	**Short-term:** Convene meeting with BSCIC/Ministry of Industry to discuss the recommendations of the evaluation report, especially with regard to the creation of a trust.
	Short-term: Provide local TA (consultant) to help prepare the proposals for institutionalizing WEDP, facilitate dialogues with concerned parties, and prepare a final report to contain measures for internal organizational strengthening. **LOE: 4 weeks** **Cost: $5,000**
	Engage the services of the same local consultant above to assist WEDP over the *bridging/transition period.* **LOE: 6 person-months** **Cost: $15,000**
Address credit fund shortage	**Short- to medium-term:** Organize/coordinate donors for additional credit funds over the two-year bridging period.
	Once institutional change is in place, help WEDP access USAID funding support channeled through PKSF.
Improve staffing and training of staff	**Short-term:** Agree to drop the performance criterion that all centers have a standard minimum staffing of 9 persons per center.
	Short- to medium-term: Provide funding support for refresher/re-orientation seminar and skills training for all credit officers (extension officer, assistant extension officer, field assistants) on credit methodology, various skills and HOW TOs. **Number of training events: 3; first one to be conducted as soon as possible; then once a year.** **Cost: $5,000 per training event; Total = $15,000**
	Medium-term: Support exposure and enrichment training abroad, e.g., Indonesia, the Philippines **Number of trainees: 2 from head office; 8 field officers** **Cost: $3,800 per trainee; total = $38,000**
Improve the MIS	**Short-term:** Engage a Bangladeshi expert on impact evaluation studies to evaluate and re-work the baseline survey and computerized framework for its analysis. **LOE: 12 days** **Cost: $2,500**
	Short-term: Extend the services of present computer programmer beyond March 1997 **LOE: 6 months** **Cost: $3,000**

Notes: Short-term = within the life of the project; medium-term = beyond August 1997.

Attachment C
Types of Support and Funding Requirements of WEDP

Type of Support	Person-Days/Week or Months; Number of Persons/Notes	Funding Needed (million taka)	Million US$ Equivalent ($1:Tk 40)
A. TA within Life of Project (December 1996 to August 1997)			
1. Local consultant to assist in preparatory process for organizational transition	4 weeks	200,000	5,000
2. Local consultant to evaluate and rework baseline survey form and computerized framework	12 days	100,000	2,500
3. Computer programmer to develop MIS	6 months beyond March 1997	120,000	3,000
4. Local consultant to study/design voluntary savings instrument and accounting/recording requirements	12 days	96,000	2,400
5. Training seminar/refresher course on credit method; skills: all credit officers (extension officers; assistant extension officers, field assistants)	One training event to be held as soon as WEDP policy and procedural reforms are made	220,000	5,500
Total		736,000	18,400
B. Support Needed during a Two-Year Bridging Period			
1. Additional on-lending funds	Amount needed to reach operational self-sufficiency in 2 years	90,000,000	2,250,000
2. Support for operating expenses, 22 centers	One-time grant from GOB	19,000,000	475,000
3. TA, local consultant to assist during transitional phase	6 months	600,000	15,000
4. Center staff training, 1 event/year @ $5,500/event	2 events	440,000	11,000
5. Study-observation in Indonesia, Philippines during second year of transition period	10 persons @ $3,800/person	1,520,000	38,000
Total		111,560,000	2,789,000

SECTION I
INTRODUCTION

The Bangladesh Women's Enterprise Development Project (WEDP) is the fourth phase of a 14-year-old government-sponsored program that began in 1982. The project aims to develop entrepreneurship among poor women through the provision of skills training and credit so that they can develop and manage businesses for income and employment. The current phase is implemented for five years, from September 1992 to August 1997, with a total cost of $5.5 million. It is assisted with a USAID grant in the amount of $4.125 million.

A. Evaluation Terms of Reference

This first evaluation for the current WEDP was conducted by a three-member team[1] for four weeks in September-October 1996. Based on the scope of work (SOW), the evaluation focuses on the implementation and performance of the system of direct credit administration, which is the present project's key defining feature. The evaluation issues defined in the SOW revolve around three major core themes: (1) whether WEDP performance has met expectations, (2) whether the project has made a difference to its clients, and (3) whether the project and benefits to clients are sustainable.

B. Methodology

The team reviewed key project documents and evaluation studies on predecessor projects. The team met with key officers of the U.S. Agency for International Development, WEDP, the Bangladesh Small and Cottage Industries Corporation (BSCIC), other government agencies, and three microenterprise finance institutions (MFIs) providing financial services to poor women. (The list of persons interviewed appears in Annex B.)

During the first week of the evaluation activities, the team had a dialogue with the senior extension officers (EOs) and assistant extension officers (AEOs) from all WEDP centers during their annual review and planning conference in Dhaka. During this event, center officers gave their insights on the factors that encourage good performance. They also articulated the obstacles they face and how these could be overcome.

For the field work and client survey, the team visited four centers—two in semi-urban and two in rural areas. These centers are Savar and Munshigonj in Dhaka, Hathazari in Chittagong, and Poba in Rajshahi. There the team got a close look at how center officers manage the credit program and their constraints. The team interviewed the EOs and AEOs, the field assistants (FAs), and, sometimes, the accountant. All of them responded generously to the request for their time and data. At Poba, the team interviewed some officers and field workers of two microfinance institutions (MFIs)—Association for Social Advancement (ASA) and Bangladesh Rural Advancement Committee (BRAC).

For the impact evaluation, a client survey of 143 women was conducted during 11 days of the evaluation mission by one consultant and a Bangladeshi sociologist/interpreter. With less than two

[1] The team was composed of Meliza H. Agabin, team leader and organizational development and evaluation expert; Jeanne Koopman, microenterprise and impact evaluation expert; and Professor Harunur Rashid, the national consultant.

weeks available for client interviews and no additional personnel for data collection, the client survey was undertaken using rapid appraisal methods. The primary research tool was two- to three-hour group interviews in which many questions were asked and recorded individually. Brief visits were made to different types of enterprises to observe production processes.

Two criteria were used in selecting clients: representation of both very poor and moderately poor borrowers and representation of borrowers with repeat loans and with first loans. WEDP staff did not attend the group discussions that were held either in the WEDP offices or in village homes.

Although a great deal was learned from these interviews, the results obtained cannot be compared with standard impact studies. The team did not have a random sample nor control group data that would permit it to attribute impacts solely to the program. Furthermore, to avoid unwanted intrusions into private matters in the context of group interviews, questions about business profits or household income that can be posed in individual interviews were not asked. The team, however, obtained a good representation of businesses served by WEDP loans and does not feel that its sample was heavily biased in any particular direction.

Four individual case studies were prepared for in-depth tracking of the impact of WEDP assistance.

C. Contexts

In examining WEDP performance as well as issues and recommendations, the team considered a number of contextual and historical elements impinging on the present project. These elements include:

- Delays in implementing critical technical assistance (TA) activities that consequently delayed by a year the installation of a new credit delivery system;
- A decade with a bank-disbursed credit system with problems that still burden the present phase;
- The bureaucratic framework within which project administration has been confined;
- The extremely tense political unrest during the last quarter of 1995 through the first quarter of 1996;
- The imminent completion of the current phase in 1997; and
- The current thrust of the USAID/Bangladesh program that gives priority to customer-focused program support for disadvantaged groups, with nongovernmental organizations (NGOs) as "partners" working directly with USAID, as deemed viable.[2]

D. The Project

As a pilot project in 1982, WEDP was the first poverty-reduction project for women under BSCIC, a parastatal corporation that provides extension services and financial assistance to small

[2] USAID, "Employment and Income Generating Program for Poor Households in Bangladesh: Program Guidelines," (1996?).

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manufacturing and industrial enterprises in Bangladesh. In the first phase of the project, a WEDP Unit was established under BSCIC for project administration. Field offices (called centers) were similarly set up to carry out extension activities—to identify clients, coordinate training, pre-screen and recommend loan applications to partner-banks, undertake post-loan supervision, advise clients, and recover loans.

Initially, four field offices, each covering a thana (a local administrative area, or subdistrict), were established. By the close of the second phase there were already 20 centers. Eventually, by the middle of the current project phase, WEDP had 40 centers, three of which were subsequently closed because they were not viable. The list of centers appears in Annex C.

From the first to the third phases, loan disbursements were made solely through participating banks. WEDP was linked with two state-owned banks—Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB)—to disburse loans to WEDP clients, and provide counterpart on-lending funds at Tk 2 for every Tk 1 from a USAID grant. Their branches reviewed and gave final sanctions on individual loan applications recommended by center staff.

The predecessor projects ran through three phases from 1982 up to 1992. Based on the recommendations of evaluation studies and the visible positive project impact on WEDP clients, USAID support continued throughout. However, to implement a fourth phase, the project had to be redesigned. The system of bank-disbursed credit proved inefficient, while a highly centralized and inflexible organizational set up lacked autonomy. These constraints severely hampered program growth and threatened project sustainability and continuity of benefits to clients.

The present WEDP is redesigned with the objective of ensuring sustainability beyond USAID support. It introduced a system of direct credit administration, through WEDP field offices, as a strategy for achieving sustainability. Introduction of the direct credit methodology marked a significant conversion of field offices from mere extension agencies to direct providers of basic financial services to its all-women clients. Operational autonomy and flexibility were also designed into the project to allow WEDP management and field offices to effectively implement the new credit system.

WEDP continues to focus on the development of enterprises engaged in by women in rural and, more recently, semi-urban areas of Bangladesh. The overall goal of the current project is to "contribute to stimulating expanded agricultural and nonagricultural informal sector activities." It is expected to achieve "after five years, increased women's participation in and benefits from viable businesses in the informal sector."[3] Three components are implemented for achieving this purpose:

- Sustainability component to provide short-term technical TA and coordinated interventions to build the capability of the WEDP Unit for achieving managerial and financial soundness, and capability building for the field offices;

- Credit component to provide funding for credit and operational costs of the lending program; and

[3] Quoted from the Project Paper.

- Microenterprise facilitation component to provide funding for studies and training related to the identification, development, and viability of microenterprises in which poor women are significant participants.

SECTION II
PROJECT IMPLEMENTATION

Based on the original implementation timetable, a direct lending scheme should have been initiated in selected field offices between January and March 1994. However, this did not happen until a year later, in April 1995, because of USAID/Washington's delays (under the Gender in Economic and Social Systems [GENESYS] Project) in fielding the TA to develop the required MIS and alternative credit methodology for WEDP. The design of a new credit methodology was completed in October 1994. There was a time lag of another four or five months before the training on the new credit scheme took place. A local consultant conducted the five-day training for center extension officers and headquarters staff. On the strength of this training, four field offices implemented the direct credit scheme soon after. The number of field offices increased quickly to 21.

A. Project Administration

Project management remains with the WEDP Unit under BSCIC. It is headed by a project director who is a highly committed career officer of BSCIC who knows the project well and provides continuity for WEDP. She is assisted by a staff of 9 officers and 13 other employees. Except for several who are under regular employment with BSCIC, the others are engaged as project employees on a contract basis. Two project officers—a rural credit advisor and a financial manager— have been in place since 1994, in accordance with the provisions of the Project Agreement, to help implement the new credit approach. The WEDP Unit supervises a field staff of 331 employees in 37 field offices (Table II-1).

Table II-1. WEDP Manpower As of September 1996

	22 Centers Direct Credit	15 Centers Bank Credit	Total All
Number of:			
Credit officers	111	73	184
Other staff	88	59	147
Total	199	132	331
% distribution	60%	40%	100%
Head office officers and staff			23
Total staff			354

Source: WEDP Unit.

Operational autonomy over administrative and personnel matters were envisioned for the WEDP Unit. The Project Agreement (PROAG) between the Government of Bangladesh (GOB) and USAID thus called for the exercise by WEDP management of exclusive authority to hire, fire, dismiss, deploy, and transfer project personnel; to open and close field offices; and to design and implement a field performance incentive system.

By and large, however, the exercise of such authority had fallen short of expectations. Bureaucratic procedures continue to prevail. Institutionally, the project is under the administrative control of BSCIC through the Project Proforma (PP). In the context of the Bangladesh government, a PP dictates the policies and administrative procedures of a project under government control. Compliance to the PP is strictly observed, and in case of conflict between the PP and a PROAG, the

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former takes supremacy. It would appear, in the case of WEDP, that some of the specific provisions of the Project Agreement had not been faithfully reflected in the PP. This oversight had meant a continuing condition in which inadequate autonomy and flexibility hindered management action to recruit needed personnel, to transfer field personnel based on need and merit, to set up field offices based on sound feasibility studies, or to decide on closing unviable centers. The other consequence of the unfortunate oversight is the nonimplementation of some of the provisions of the Project Agreement.[1]

Field implementation is carried out through 37 operating centers of which 22 centers retail credit directly and accept savings, while the other 15 centers fall under the old bank-disbursed credit system. It is important to note this distinction because, in effect, two subprograms are being managed under WEDP, and accordingly divide management time, effort, and resources.

B. Centers under Direct Credit

USAID's current support for on-lending funds is for this group of 22 field offices. These centers are presently servicing 7,366 direct borrowers and recovering old bank-disbursed loans from 3,370 borrowers for a total of 10,736 clients.[2] These centers are of two types: (1) six centers deal solely with direct credit; and (2) 16 centers retail credit and are still recovering old past-due loans disbursed by banks. Recovery efforts from previous bank borrowers take from 20 to 30 percent of center staff time, but, under existing arrangements between the banks and BSCIC, these centers do not get any share of the interest income from recovered loans, which are turned over to the banks.

C. Centers for Extension Work

The second group of 15 centers continues to operate primarily as extension arms to banks, but the present USAID grant also supports their operating expenses. Some of these centers incur very high operating costs per WEDP loan lent by partner banks. Averaging 1.10 for every Tk 1 loan lent by banks, a few of the centers incur more than Tk 2 for every Tk 1 lent. Some centers have stopped recruiting new borrowers, and their operating expense measured against loans disbursed have become extremely high making their continuing operation highly unviable. These centers are also unable to get a share of the interest income to pay for their operating expenses.

D. Overall WEDP Scope and Status

Leaving the distinction aside, the status report on WEDP as of September 1996 provides an overall view of the project scope and achievements (Table II-2).[3] The cumulative data combine accomplishments under the bank credit subsystem and direct credit scheme.

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[1] For instance, the Project Agreement calls for the creation of a consultative Committee for Future Directions. Not incorporated in the PP, this provision has not been implemented, and the initiative for taking action has been stalled.

[2] See Annex D.

[3] WEDP status reports are presently compiled through a system of manual recording and data processing. A computerized MIS, which is expected to be functional soon, will only handle the data from centers under the direct credit system.

Table II-2. Selected Cumulative Data: WEDP Scope and Status, As of September 1996

Indicator	1982-1996 As of September 96	1990-1996 As of September 1996
Number of centers	End 1989: 20	37
Loans: number	44,133	34,298
Loans: amount*/	mil. Tk 1,906.14	mil. Tk 154.87
Borrowers	37,951	26,934
Training	39,369	28,548
Employment "creation"	101,203	66,715
Wage employment	50,714	30,204

* Amounts are in nominal values.
Source: WEDP

As of July 1996, the overall recovery rate for loan transactions since 1990 was 96 percent. The recovery rate represents the total amount of principal recovered of the total amount due. Loans under direct credit are recovered 100 percent; bank loans have a recovery rate of 85 percent.

The number of persons reported to have benefited from full- and part-time employment in enterprises assisted by all the centers reflects a multiplier of about 2.0 for every WEDP-financed business.[4] The ratio for hired labor is 0.88 per WEDP-financed business. The team's survey found overall employment to be somewhat higher, with about 2.64 persons fully or partially employed per current loan. The team derived a multiplier of 1.74 persons with full-time and 0.90 person with part-time employment. The ratio for hired labor is 0.81 person per current loan, half of which are jobs created since the first WEDP loans. A possible under-estimation of the employment data reported in the WEDP report is best validated in a future impact evaluation using representative sampling survey methodology.

Regarding clientele capability building, the number of women trained in management and other skills include those with and without WEDP loans. Management training is given only to borrowing clients, whereas other skills training is provided to nonborrowers.

E. Direct Credit Methodology

WEDP credit methodology is based on some features of the financial technology made famous by Grameen Bank and copied by other MFIs assisting poor clients. A summary of WEDP methodology is presented in Table II-3.

WEDP credit methodology has distinctive features that distinguish it from the usual poverty-focused credit programs. WEDP is a women-run and predominantly women-staffed program of the government. WEDP's market niche includes extremely poor women to women who have modest income but are in the "grey area" of microenterprise finance. Loan size ranges from a minimum of

[4] The term employment "creation" is possibly used loosely to refer merely to persons employed by the assisted enterprise. Creation also refers to the number of persons employed prior to WEDP credit.

between Tk 4,000 and Tk 5,000 to a maximum limit of Tk 60,000, which is far greater than the amount other MFIs provide. Nevertheless, there has been no loan for Tk 60,000, and only a few loans have exceeded Tk 10,000, because of procedural constraints and shortage of on-lending funds.

Table II-3. Summary of WEDP Credit Methodology

Loan term	Twelve months, with 24 payments every two weeks; two-week grace period
Loan size	Minimum amount lent is currently Tk 5,000; maximum amount is up to Tk 60,000; only one loan at a time and per family.
Payment schedule	Every two weeks through group meetings
Interest rate - nominal	Sixteen percent flat per annum
Interest rate - *effective*	Twenty-nine percent excluding effect of forced savings
Savings requirements	Personal savings (PS): 5 percent of desired loan amount must be held in savings and deposited up front before taking the loan proceeds; PS is returned after loan completion and paid interest at prevailing bank rate (4 to 5 percent); Group savings (GS): a new group must have its members save Tk 10 bi-weekly for three months before initial loaning starts; every two weeks thereafter
Group size	Generally between 5 and 15 members per group; flexible
Post-loan supervision	Follow up by center staff every two weeks during group meetings to collect loan installments and group savings, and discuss problems
Incentive to borrower	With good repayment behavior, a borrower can access larger repeat loan
Option for individual loans	Women entrepreneurs who do not wish to be part of a group can access WEDP loans as individual borrowers

Credit through groups has allowed field office staff to reach more clients, in contrast to the experience with the individual borrower approach under the old system. The regular meeting and loan installment payments every two weeks is a departure from the usual weekly mode required by other MFIs. A system of regular post-loan visits and supervision permits center-level staff to closely monitor and interact with clients. The loan price of a flat 16 percent interest rate per annum (effective rate is 29 percent), which has been far above the country's inflation rate of 5 percent or less in the last two years, is higher than those of other MFI programs. As a condition to receiving a loan, a new borrower must attend a free, five-day management training course.

Under the project, savings generation happens in two ways: first, a borrower is required to deposit 5 percent of the loan amount before receiving the loan proceeds. This deposit is returned to the borrower, with bank interest earnings, upon full loan repayment. In effect, this up-front deposit serves as a loan guarantee or security.[5] The second way is through a group savings scheme that allows clients to regularly save tiny amounts of Tk 10 every two weeks. Unfortunately, the program does not currently recycle these savings as loans, but merely deposits them in a regular bank savings account. Clients have voiced objections to the 5 percent up-front deposit requirement. This topic is discussed more fully in Section IV, in the subsection on interest rate issues.

[5] A loan insurance or guarantee scheme whereby a borrower pays a fee of 1.0 percent per loan was recommended in the credit design. The fees to be collected therefrom were also recommended to be placed in a guarantee fund.

F. Financial Status of Direct Credit System

In a short period of time, from April 1995 to June 1996, 22 centers disbursed $1.124 million in loans (Table II-4). Savings generated amount to 12 percent of loans outstanding, a significant achievement that augurs well for developing the program toward a savings-based credit system.

Table II-4. Direct Credit: Selected Financial Indicators As of June 1996

	Amount in Takas	Equivalent US $ Million ($1:Tk40)
Credit Operations		
Total loan disbursements	44,974,500	1.124
Loan recovery principal	17,761,728	0.444
Loan interest recovery	2,885,608	0.072
Loans outstanding	27,212,728	0.680
Total credit fund, June 1996	36,559,725	0.914
Savings Generation		
Groups savings	1,083,947	0.027
Compulsory savings	2,144,522	0.054
Total savings	3,228,469	0.081
Ratio to loans outstanding	12%	
Number of Borrower-Savers	7,366	
(September 1996)	3,694	
	438	
Average loan outstanding/borrower		$92
Average savings/saver		$11

The number of active borrower-savers (totaling 7,366) are engaged in a wide variety of businesses—ranging from poultry and cow rearing; aquaculture; food processing; pottery, bamboo, and other crafts; broom making; garments making and tailoring; embroidery and weaving; paper packet making; rice husking; micro trading; variety stores; and a host of others. Loan sizes are small, mostly below Tk 10,000 ($250) and averaging Tk 5,590 ($140). They are given primarily to expand existing businesses and, in some cases, to start new businesses.

SECTION III
IMPACT ASSESSMENT

Because the evaluation team's survey of clients was not based on a representative sampling, the results cannot be generalized. Presented below are the team's findings that address the issues raised in the evaluation Terms of Reference (TOR). (See Annex E, Client Impact Assessment, for a more detailed discussion.)

A. The WEDP Target Group

Is WEDP reaching its intended clients? What are the characteristics of the people the project is serving? The Project Paper is not clear about the socioeconomic characteristics of the target group, suggesting only that borrowers should be "women who have significant roles in their businesses."[1] On this measure the project is increasingly reaching its target group: over 90 percent of the women in our sample used their loans to fund businesses in which they have significant roles. Nearly 40 percent are managers of their own businesses, over 20 percent jointly manage their businesses with their husbands, and about 40 percent work in businesses managed primarily by their husbands or sons. Of the latter, some participated in the decision to take a loan, although many others exercise control over business incomes.

Because several documents cite poverty reduction as a project goal, we assume that the project intends to target primarily women entrepreneurs from the 50 percent of the population below the poverty line.[2] However, because the Project Paper urges the expansion of so-called "growth facilitating loans" of Tk 10,000-60,000 ($250-$1,500), the project also intends to reach some households that are of modest income but above the poverty line. These goals effectively define the market niche of WEDP.

Our survey found that WEDP is reaching primarily people in the lower half of the income distribution. Seventy-five percent of those reached are poor. Nearly three quarters of WEDP clients are either extremely poor (25 percent) or moderately poor (50 percent). About a quarter are somewhat above the poverty line, but this group is what we describe as being in the "grey area" of microenterprise finance because poverty-focused credit programs and banks do not reach out to them as clients.

The overwhelming majority (88 percent) of clients are married. The other clients are either widows, divorced, or abandoned. Fifty-eight percent of the clients we interviewed are illiterate, but over 10 percent have some secondary education. Our findings on clients' education differ

[1] Project Paper, p. 27. The only statement in the Project Paper about the income levels of the intended clients is contained in a statement describing "growth-facilitating lending." Here it is asserted that a loan ceiling of Tk 60,000 ($1,500) is "low enough to assure that only those in the poorest 20 percent of the population would borrow" (p. 16). We find this assertion highly unreasonable (see Annex E of this report).

[2] The poverty line is defined as the level of income below which a household cannot assure its members an adequate diet or other basic needs. The extreme poverty line represents an income below which 85 percent of caloric requirements cannot be met.

significantly from those of a 1989 evaluation survey of WEDP's rural clients,[3] which found 78 percent to be illiterate. This difference probably reflects the higher educational level of clients living in semi-urban areas (half of our sample), but it may also reflect a general shift in the socioeconomic status of WEDP clients. Possibly, there are fewer very poor borrowers today and more from households somewhat above the poverty line. Most first loans taken are for Tk 3000-5000 ($75-125), with increasingly larger amounts for subsequent loans.

B. Qualitative and Quantitative Impacts on Clients and Their Households

B1. Income and Assets

The survey did not attempt to collect direct data on business or household income, but did ask a general question about the client's perception of the major benefits of her WEDP loan. The answers indicate that WEDP has most probably had a significant positive impact on both women's enterprise and household incomes.[4] About a third of the borrowers said that they had expanded their businesses. A similar number said that their household income had increased. About 20 percent of borrowers, all of whom are extremely poor, said that their business incomes are the major source of their household incomes. Many reported that there is less tension in their households because there is less financial strife, better food on the table, and a greater ability to meet their children's educational expenses.

Several women said that they no longer need to borrow from neighbors or money-lenders to finance their businesses or to meet household expenses. A few have been able to increase their personal savings, which are possibly additional voluntary savings outside of WEDP project's compulsory savings.

Of the 142 women surveyed, half have acquired business assets with their loans. Although we did not ask a systematic question about household assets acquired with business income, we recorded 30 household assets from spontaneous remarks about major benefits from the loan. These included new roofs or other house improvements, four televisions, and land purchases, including one case in which a woman purchased land in her own name.

B2. Employment

WEDP's most significant impact in employment creation has been the creation or expansion of borrowers' own self-employment. Some 28 percent of WEDP borrowers have created new employment for themselves, a few managing to move from impoverished positions as day laborers to stable self-employment. Among the new business operators are women who had no source of monetary income before and are now supplementing their traditional work as wives and mothers with part-time income-generating activities such as cow rearing. Others are moving into full-time self-employment as small shopkeepers, tailors, rice huskers, and food processors. The majority of borrowers are expanding existing enterprises, often moving from part-time to full-time entrepreneurs.

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[3] Hashemi, Syed M., *Credit for Rural Women: an Evaluation of the Women's Entrepreneurship Development Program*, June 1989. This survey was based on a random sample of 361 clients in four WEDP centers that were all based in rural areas.

[4] Although a positive income impact cannot be proved with rapid appraisal methods and without a control group, rigorous studies of similar microcredit programs in Bangladesh have all shown this type of impact (see references).

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Sixty percent of borrowers are working full time in their businesses, while 31 percent spend about half of their time in loan-financed activities, usually cow and poultry rearing. Only nine percent of borrowers diverted their loans to a husband's or a son's business in which the client takes no part.

In contrast, husbands work full time in only a quarter of WEDP-funded businesses—largely in family businesses that they have traditionally managed. Most husbands either do not work at all in their wife's enterprise (28 percent), or put in an average of less than an hour a day by helping with input procurement or the sale of output (29 percent).

The creation of employment for other family members has been modest, but a few women now employ their siblings. Most get only part-time help from husbands, often only a few hours a week. Only a quarter of clients report help from an adult relative. Women's major family help is the part-time assistance of their children.

About a quarter of WEDP-funded enterprises employ hired labor. The ratio of hired labor per current loan is 0.81. The evaluation team also found 0.4 paid jobs created per current borrower since the receipt of the first loan. This figure is higher than that achieved in the government's Thana Rural Development Extension Project (TRDEP) microcredit program (0.1), but lower than that reported for the Bangladesh Rural Advancement Committee (BRAC) (0.8) [Hulme, 1996].

Sixty percent of WEDP enterprises with hired workers are essentially male controlled, whereas about 40 percent are managed primarily by the borrowers. Nearly half of the jobs created since the first WEDP loan are being filled by children aged 8 to 14, half of whom replace the daughters of borrowers who can now afford to send their own children to school.

Based on the team's findings, roughly 19,450 persons are employed in all enterprises financed by 22 WEDP centers. Of this number, 12,820 (66 percent) are employed full time, whereas 6,590 (34 percent) are employed part time.

B3. Women's Decision-Making and Entrepreneurship

WEDP has had a major positive impact on women's business management capabilities. Well over one-third of WEDP borrowers manage their businesses entirely on their own. Another 22 percent jointly manage their businesses with their husbands. An even larger group, 58 percent of respondents, report that they alone control the earnings from their businesses.

B4. Status in the Household and in the Community

Nearly all clients reported that their status had improved since they began taking WEDP loans. Some women who had long worked in family businesses found their new-found knowledge of business financing empowering, remarking "Now we know as much as our husbands. We can talk to them as equals." But the most frequent remark about the effect of receiving a loan on a woman's household situation was, "Now our husbands treat us better."

Many women also remarked that earning an income had led to a newly experienced sense of respect in their communities. Some attributed this to the fact that they no longer needed to borrow from neighbors or family members. Others said that because they had become known as women who could earn their own money, they were able to borrow from neighbors if they faced an emergency.

C. Clients' Views of the Program

The WEDP loan program is highly appreciated by its clients. Our respondents nearly all reported that they find the center staff extremely honest, helpful, and genuinely concerned about their welfare. Many remarked that they had received valuable advice from loan officers on how to manage their businesses. We found this client enthusiasm for the center staff impressive, because staff members not only disburse loans and give advice, they also function as collection agents.

Few borrowers found the transaction costs of the program in time and money very troubling. Although the team found the loan application process overly complex and burdened with unnecessarily complex forms, photographs, requirements for official signatures, documentation regarding house ownership, and other regulations that tend to discourage very poor and unmarried women,[5] current clients rarely complained about these transaction costs.

The transaction costs in time are also felt by WEDP staff. The team believes that staff effectiveness and efficiency in expanding the program and in promoting clients' entrepreneurship is being seriously constrained by the time-consuming tasks of assisting clients complete all the lengthy forms and formalities associated with the loan application process. This issue is commented further on in Section V in the discussion of the MIS and in the team's recommendations.

What borrowers like most about the program is that repayment is required only twice monthly, rather than each week. Most often, clients meet with staff in their own villages for group meetings and repayment. The time spent is usually only an hour or less. This is considerable less time, according to our respondents, than the time borrowers must spend in weekly meetings for most other microcredit programs.

The major concern clients have with the loan program is the interest rate. It is considered high in comparison with other sources of credit, but not high enough to discourage most current borrowers from seeking another loan. This concern is, however, connected to other current policies—such as the 5 percent up-front deposit requirement—that clients perceive, and correctly so, as further increasing the effective interest rate on their loans. This issue of the interest rate is discussed further in Section IV.

A large majority of repeat borrowers feel strongly that the effective ceiling on the majority of loans granted, Tk 10,000, needs to be increased. Many clients are pushing against this ceiling with some frustration, unable to expand their businesses as rapidly as they would like. Although the ceiling on WEDP loans is Tk 60,000 ($1,500), no loan has been disbursed at this level because of procedural constraints and a shortage of credit funds.

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[5] Unmarried women are kept out because of the risk of leaving when they get married.

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SECTION IV
INSTITUTIONAL ASSESSMENT

The following subsections focus on the issue of whether program targets are being met and the issues regarding WEDP's sustainability.

A. Achievement of Program Targets

Have program credit targets been achieved? Key operational targets set forth in the Project Agreement have been met despite delays in implementing the new system of credit and serious political disturbances in the country during the initial stage of launching it. The results as of the end of June 1996 are summarized in Table IV-1.

Table IV-1. Direct Credit: Expectations and Results

Indicators	Expectations by August 1997	Results, as of June 30, 1996
Number of loans disbursed	30,000	7,366 (since April 1995 by 22 centers) 31,644 (from 1990 to June 1996, by 37 centers)
Loan recovery rate -for centers operating 2.5+ years with direct credit: -for all centers under direct credit	90% 80%	108% (as at July 96; 22 centers) (85% for 15 centers under bank credit)
Growth-oriented loans of size Tk 10,000-Tk 60,000	15% of no. of loan transactions	11% (as of December 1995)
Interest income to operating expense	Interest earnings able to pay 15% of operating expense of centers operating 2.5+ years with direct credit	23.7% , average for centers operating 14 months or less as of June 96
Number of loan transactions average/center in prior 12 months Cost of lending 1 Tk	325 loans disbursed Tk 0.85	335 loans disbursed -Tk 0.30/Tk 1 loan disbursed -Tk 1,650/loan disbursed -Tk 0.53/Tk 1 loan outstanding

At this point, there is no doubt that the direct credit system is substantially better than the bank-linked system. Field office staff are delivering despite constraints. Clients are in general repaying their loans on time. The recovery rate is 100 percent. The cost-efficiency target is exceeded. Savings are being generated and has reached 12 percent of loans outstanding. Most important of all, the operational self-sufficiency level (ratio of loan interest income to operational expense) surpasses the target of 15 percent.

B. Supporting Its Operational Costs

To what extent is the project currently able to support its operational costs? On the average, center incomes are covering 24 percent of their direct operational costs (including the cost of training).[1] The four centers the evaluation team investigated have already achieved a higher level of operational self-sufficiency, as shown in Table IV-2.

Table IV-2. Level of Operational Self-Sufficiency, FY 1995-1996 (in percent)

Center	Operational Self-Sufficiency (%)	
	Direct Center Cost	with Head Office Cost
22 centers	23.7	19.0
Savar (1990-1991)*	42.0	34.2
Hathazari (1989-1990)	26.5	21.2
Poba (1993-1994)	37.0	30.0
Munsignonj (1994-1995)	38.8	31.5

* Year in parenthesis = year of establishment.
Source of basic date: WEDP Unit; centers.

These encouraging results provide optimism that full operational self-sufficiency could be reached within two years by many of the field offices currently under the direct credit system.

The present downside of the evaluation team's data, however, is that given the volume of business in the last financial year, each center, on the average, was subsidized to the extent of 76 percent of direct center costs. This level of subsidy increases to 81 percent if head office cost is attributed per center. Imputing a financial cost (at 7 percent p.a.) further increases the subsidy close to 83 percent of a center's operating expense. Until August 1997, WEDP centers' operating expenses are being funded by a USAID grant.

C. Financial Projections

What are the financial projections, at the current rate of interest (16 percent flat), for field offices and head office (HO) to cover operational and financial costs? The projections are depicted in Table IV-3. The critical element is additional on-lending funds. To target full operational self-sufficiency, core loanable funds should increase more than twice, for an additional credit fund of Tk 47.2 million ($1.13 million). To operate toward a level of full financial self-sustainability, the additional credit fund required will be about Tk 93.5 million ($2.29 million). Center expenses under financial self-sufficiency assume a financial cost at 7 percent, and provisions for loan losses at 2 percent, of average loan portfolio. WEDP's outreach should expand, staff productivity and efficiency should increase three-fold, and the loan portfolio should multiply three to five times the present level. All other variables that affect the projected levels also have to increase.

[1] After many years of operations, BRAC managed to reach a 34 percent level of operational self-sufficiency in 1989 (Project Paper, Annex G).

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Key factors that affect sustainability for WEDP include:

- The productivity and efficiency of field offices;
- The recovery rate;
- The price of the loan as well as other policy and procedural concerns;
- The availability of funds for on-lending; and
- WEDP's structural and institutional framework.

Inadequate supply of credit funds and structural constraints are the two most important problem areas to be resolved.

D. Factors Affecting Sustainability

D1. Operating Efficiency and Productivity

Some operating efficiency ratios are given in Table IV-3. Efficiency varies widely, and even in the better-performing centers there is room for improvement. Under the direct credit system, although center productivity is four times higher than predecessor projects, there is still a long way to achieving self-sustainability level.

In terms of direct credit outreach, the average productivities are: (1) 335 clients per center (the range is 104-526 clients); (2) 37 per center employee; and (3) 66 per credit officer.[2] When we include the number of borrowers under bank-linked credit still being served by 16 centers, these ratios go up by 46 percent to: (1) 488 borrowers per center; (2) 54 per center employee; and (3) 97 per credit officer. However, because the centers are not getting any income from their recovery efforts of bank loans, the relevant client ratios used in analyzing WEDP sustainability are the former ratios. It is noteworthy though that some centers have attained far more than the average productivity (Table IV-4).

Still, WEDP ratios are much lower than those of other viable MFIs. Other MFIs serving poor clients with much smaller-sized loans are sustainable at much higher efficiency ratios. They operate field units with leaner staff and at lower operating costs. Each credit officer takes care not only of more than 200 to 350 clients but also a bigger loan portfolio. This point is illustrated with a comparison between WEDP and ASA in Table IV-5. An MFI in the private sector, ASA began its credit program in 1991, became operationally self-sufficient in about three years, and was able to subsequently reduce its interest rate after reaching financial self-sufficiency. In point of time, ASA's 1992 data would be comparable to WEDP's FY 1995 data; however, ASA's 1995 figures are illustrative of possible achievements for WEDP.

[2] Center credit officers include the senior extension officer, two assistant extension officers, and two field workers.

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Table IV-3. WEDP Indicators and Targets for Self-Sufficiency: Present and Required for Operational and Financial Self-Sufficiency

Performance Indicators	Present (FY 1995-96)	Required for Operational Self - Sufficiency	Times (X) Increase over Present	Required for Financial Self-Sufficiency	Times (X) Increase over Present
Active borrowers/ center	335	900	2.7X	1,000	3.0X
Loans per center staff	37	100	2.7	111	3.0
Loans per credit officer	66	180	2.7	200	3.0
Average size loan disbursed	Tk 5,590/loan	Tk 8,080	1.4	Tk 11,335	2.0
Average loan outstanding	Tk 3,694/loan	Tk 4,200	1.14	Tk 5,895	1.6
Average loan outstanding per center (Tk mil.)	Tk 1.24 million	Tk 3.79	3.1	Tk 5.89	4.8
Ratio: interest income to average loan portfolio in year	12.7%	18%	1.4	18%	1.4
Interest income/ center	Tk 131,164	Tk 682,850	5.2	Tk 1.061 mil	8.1

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Table IV-4. Comparative Outreach and Productivity, Selected WEDP Centers and Other MFIs

	Number of Borrowers Per:				Tk. Million Loan Disbursed Per:			
	Field Office	Staff	Center Office	Head Office Staff	Field Office	Staff	Center Office	Head Office Staff
WEDP (FY 1995-96)								
Average of 22 centers	335	37	66	320	2.055	0.227	0.407	1.955
Savar	451	50	90	2.554	0.284	0.511		
Hathazari	357	40	71	1.496	0.166	0.299		
Poba	634	70	127	2.700	0.300	0.540		
Munsigonj	490	54	98	2.731	0.303	0.546		
Other MFIs[3]								
SERWTCI (September 1996)	365		365					
SHAKTI Foundation	2,800		350					
ASA (1995	1,100	183	218					

Source: Basic data from WEDP centers; ASA, SERWTCI, SHAKTI Foundation.

[3] SERWTCI is a program under BSCIS for women in extreme poverty. It is implemented in two districts with 26 union-level offices manned by one field worker each. SHAKTI Foundation's branch has eight staff members. In Elisabeth Rhyne, et al. (1994), Grameen Bank is reported to have the following ratios in 1993: number of borrowers per staff = 180, and per head office staff member = 3,813 borrowers.

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Table IV-5. Comparative Productivity Measures: WEDP and ASA

Indicator	WEDP Field Office (FY 1995-96) (first year of operation)	ASA Field Unit (1992) (first year of operation)	ASA Field Unit (1995)
Number of staff	9	5	5
Active borrower per field unit	335		1100
Active borrowers/credit officer	66	94	*218
Operating cost per field unit	Tk 552,269	not available	Tk 277,200
Cost per Tk 1 lent	Tk 0.30	Tk 0.17	Tk 0.077
Cost for making one loan	Tk 1,650	Tk 327	Tk 240
Average loan portfolio/ credit officer	Tk 206,730	Tk 125,496	Tk 373,370
Operating self-sufficiency	24% (center cost only)	59%	113.84%
Interest rate per year	16% flat	15% flat+ 2% loan insurance fee / loan	12.5% flat + 2% loan insurance (1% by 1996)

*360 borrowers, as of September 1996.
Sources: WEDP; ASA

WEDP's productivity ratios can easily double in two years to reduce and eventually eliminate the high level of subsidy for operating expenses. Full financial self-sufficiency, whereby all costs of operations including administrative, financial, and loan losses are covered by loan interest income, is possible in another year with efficiency ratios rising three times what they are now.

There is enough demand for WEDP loans. Center officers visited by the evaluation team confirm that increasing the number of active borrowers to 900 and even 1,000 per center (at 250 borrowers per credit officer) is easily manageable. In fact, the number of clients of three centers examined had reached about 500. The average size of loans that these centers disbursed had been increasing as well. For instance, Munshigonj, which is located in a semi-urban area with growing trade and commercial sector, had increased its average size of loan disbursed by almost twice from Tk 4,850 in August 1995 to Tk 8,020 in September 1996. Munshigonj center has a well-run program and presently has the highest interest income generated.[4] One-fourth of its active borrowers have repeat loans (174), and are able to use increasingly larger loans.

There is also adequate field staff to service more clients. The field staff have established a lot of good reputation and good will capital, but they need to receive more training in financial intermediation skills and providing business advice to their clients.

[4] As of September 30, 1996.

D2. Field Office Staff

The introduction of direct credit methodology gave authority and responsibility to center-level staff, and, as a consequence, increased significantly staff morale and confidence. In general, WEDP centers became more methodical in planning and implementing center activities. Without any previous experience in financial services, more of the lower-level staff gradually participated in the process of loan decision making. The quality of supervision and monitoring of clients has also improved. The good repayment performance is generally a result of the persistent efforts of the WEDP field staff. Some centers have learned to innovate and have acquired the confidence to take initiatives and risks; other centers are more timid.

Center staffing pattern. Regardless of whether a field office is retailing credit directly or not, or whether the actual and potential business for financial intermediation is adequate or not, each field office has a standard nine employees that include five credit officers, one of which is a senior extension officer (who is the chief operating officer); two assistant extension officers; and two field assistants. Four other employees include an accountant, a typist, a driver,[5] and a sweeper.

This uniform staffing does not take into account the amount of business actually conducted by the center nor the potential scope of financial services at the thana level. The situation is exacerbated when centers are set up as a result of various pressures that overlook the need for a careful market study.

What similar MFIs operate with at the field level can be instructive to WEDP. The microfinance NGOs visited by the evaluation team (such as SHAKTI and ASA) maintain high levels of field unit productivity with fewer field office staff members. ASA has only one unit manager and four credit officers; the only other staff member is a messenger. SHAKTI's field office operates with only four staff members (one assistant manager and three field workers) during the first year, then adds three more field workers in the second year, and another two in the third year, which is when the field unit becomes operationally self-sufficient.

A review of the staffing of each center is recommended relative to present productivity, prospects for increasing clientele reach, and available on-lending resources. The GOB and USAID should agree to drop the standard nine-staff member requirement for a center. This will give flexibility to WEDP management to reduce the cost of less-productive centers and transfer credit officers to centers that need additional help.

Staff recruitment process and incentive system. The mostly female credit officers are highly educated. Most are college degree holders, and some have graduate degrees. They are generally hard working and committed to their work, known for their honesty, and respected by a loyal group of clientele. They all passed through a bureaucratic selection process. Because of the selection process, mostly highly educated applicants from the cities pass it and get assigned to field offices. However, this has created some problems with regard to staff turnover and transfer from one center to another. Furthermore, because of the recruitment procedures the opportunity to create a pool of trained microfinance female personnel recruited from the local area is missed.

[5] Each center is equipped with a "mini taxi," a motorcycle outfitted with a sidecar that can seat at least two to four passengers (known as "tuk-tuk" in Thailand and "tricycle" in the Philippines).

Most of the field office personnel are considered project staff, not employees of the BSCIC. There is therefore no clear career path for center officers. Although their salary levels follow government standard pay, they do not receive the same benefits as regular government employees. Based on estimates, WEDP center staff salaries are about half the salary paid by other MFIs doing similar work, and whose credit officers also enjoy better perks and field mobility support.

An incentive scheme exists to motivate the field officers and improve their package of benefits, but this has had little effect in boosting staff morale. Aside from the fact that the amount is small and comes from the USAID budget for operating expenses, it is applied uniformly to all centers under direct credit regardless of unit performance and productivity. Center officers see this as inconsistent to the aim of motivating field officers to achieve more.

In the face of the rapid growth in Bangladesh's microenterprise finance sector, demand for good and experienced personnel to work with microfinance intermediaries is also rising. Lacking appropriate incentives and a career path, and faced with uncertainty as to the fate of WEDP after USAID support ends, the alternative employment options with other MFIs are becoming attractive. The challenge to WEDP is how to keep its good credit officers from leaving, if institutional changes do not take place soon enough.

D3. Collection Efficiency

Despite low pay, lack of incentive, and long-hours of work, WEDP field offices have so far performed exceedingly well in recovering loans. The average collection rate of 105 percent as of June 1996 and 108 percent as of July 1996 demonstrates the sense of accountability of field staff, the high regard that WEDP head office and field offices give to loan recovery, and the close follow-up of borrowers.

Based on the WEDP status report for July 1996, 16 of the 22 centers were collecting 100 percent of due loans (with reports on advance payments amortization, collection rates have exceeded 100 percent in most). The collection rates for the others ranged between 94 percent and 99 percent. The comparable figure for bank-disbursed credit is 85 percent.

As mentioned earlier, part of the time and effort of the staff in field offices under the direct credit system (in some centers up to 20 to 30 percent of their time) is still spent in recovering overdue loans from bank-disbursed credit.[6] Even in this regard, the centers we visited report good recovery results owing to their personalized approach, and the incentive to the borrowers of becoming direct center clients after they finish paying their old loans. In one center, 75 percent of former bank borrowers have become direct borrowing clients.

D4. The Interest Rate

If the interest rate is reduced, is it feasible for WEDP to attain self-sustainability? The present interest rate cannot be reduced without affecting the self-sufficiency level, unless outreach, loan value, and productivity increase to bring costs down and raise a center's income. Although at a flat 16

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[6] Here, in this case, all repayments of principal and interest are turned over by the center to the bank. The center has no share in the interest income to cover part of its collection cost. This arrangement was forged between the banks (BKB and RAKUB) and the BSCIC. The WEDP executive director had wanted a 6 percent share of the interest earnings, but the idea was vetoed by her superiors in BSCIC.

percent interest rate,[7] WEDP borrowers are paying an effective rate of close to 29 percent per annum, the financial indicators for FY 1995-96 underscore some of the reasons why maintaining the present interest rate is essential. WEDP has yet to raise its revenue rate to at least 16 percent, and reduce a high expense ratio. Together, these income and expense variables result in a high negative lending spread (Table IV-6). Other centers (such as Savar, Poba, and Munsigonj) do better than average, and demonstrate what can be achieved in a short period of time.

Table IV-6. Center Lending "Spread"

Ratio of interest income to operating expense (operational self-sufficiency)	24.0%
Ratio of interest income to average loan portfolio	12.7%
Minus: ratio of operational expense to average loan portfolio	53.0%
Equals: lending spread	-40.3%

Centers incur other costs that do not yield any returns, such as those incurred in connection with servicing past-due loans taken from banks and savings deposits. With regard to the latter, because field office staffs also accept savings, record these savings, deposit them with banks, and service withdrawals, part of the operating cost is really spent for these activities. Under present policy, neither the WEDP centers nor the borrowers benefit from these deposits.

There are pressures to decrease the present interest rate level. The growing presence of many MFIs at the grassroots level has made the credit market for women very competitive, with some MFIs offering loans at lower interest rates. WEDP management has expressed concerns about this and has requested USAID to reduce the rate. Considering the growing competition, center officers are concerned that a WEDP loan is not competitive, and that some of their clients may transfer to other programs. The terms of reference for this evaluation also posed a query on how ASA, a microfinancial NGO, can afford to reduce its interest rate from 15 percent to 12.5 percent, and what feasible ways there are for adjusting the current WEDP lending rate.

The NGOs interviewed by the team have the following comparative annual interest rates: SHAKTI charges 20 percent on a declining balance; BRAC charges a flat rate of 15 percent; whereas ASA charges 12.5 percent flat + a 1.0 percent loan insurance fee. The rate of 10 percent per month, however, is not unusual from informal private moneylenders.

ASA's loan rate used to be a flat 15 percent, plus a 2.5 percent loan insurance fee, but this was reduced after it built up enough business volume, raised the operating efficiency of its field office, and reached a financial self-sufficiency level that now exceeds 100 percent. In terms of efficiency, ASA's 1995 records, as seen in Table IV-5, speak for itself. Here, it is demonstrated clearly that higher productivity and cost efficiency are key to reducing the interest rate.

The issue of WEDP competitiveness is, however, much less serious than perceived for at least two reasons. Firstly, WEDP loans differ from loans of other MFIs in terms of bigger loan size, amortization scheme, and its delivery by a mostly female staff who use a personalized and customer friendly approach. Secondly, WEDP credit caters to a broader and different market niche than those served by MFIs. During team field visits, center officers reported serving former clients of other MFIs, while losing some WEDP clients to other credit providers. That this is happening should be a

[7] The inflation rate was 4.5 percent in FY 1995-96.

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welcome result of the competition, particularly if clients are getting better and more efficient service from the other credit suppliers.

As far as WEDP borrowers are concerned, their complaints about the existing interest rate appear to stem from other related sources.

Up-front savings deposits of 5 percent of the loan amount is burdensome. This 5 percent deposit requirement is a different transaction from the loan and is returned to the client after a loan is paid in full. However, it is usually perceived as a deduction from the loan. In reality, this is what happens because clients usually borrow the required amount from someone and repay this from the loan proceeds. This therefore reduces the amount of the loan and raises the interest rate to a flat 16.84 percent.

The purpose of the 5 percent savings is not clear. It seems to be intended as a loan guarantee, but this purpose is not understood clearly either by the center staff or the borrowers. Unclear guidelines or a lack of communication from the head office to center staff has also caused some confusion as to whether or not the 5 percent savings deposit should be returned with interest or not. Some of the women clients demanded to receive interest on their deposits.

A number of options are suggested below for management consideration regarding the 5 percent deposit requirement:

- The first option is to eliminate it. As a corollary step, introduce the Loan Insurance Fund (LIF), which will take care of paying a client's loan in case of her death or incapacitation. At the time of receiving the loan, all borrowers must pay an amount of 1 percent of the amount of the loan into the LIF. The 1 percent insurance fee stays with the Fund. LIF is a suggested feature in the original design of the credit methodology, and the guidelines described in the design document could be followed.

- The second option recognizes the importance of the mandatory savings as a potential source of loanable funds. The important basic premise here is that the amount of savings mobilized would be used for loans. This alternative opts for retention, with a reduction of the amount from 5 percent to 3 percent of the loan. It can also be used to reward any borrower who makes timely installment payments by paying a higher rate of, say, 8 percent flat on such deposits.

- The third option is to drop it as a requirement for borrowers who belong to a group, but retain a 3 percent up-front savings deposit requirement for nongroup members. As a corollary policy, the LIF should be introduced.

A loan fully paid before maturity pays a full year's interest charge, which raises the effective interest rate. This credit policy guideline from the head office, whose rationale is hardly understood by some field officers, serves as a disincentive to an early completion of loan repayment. This policy should be revised so that a borrower is charged for only the actual period of loan use. Eventually, WEDP should consider offering different maturity periods—such as six months and nine months.

D5. Supply of Credit Funds

Credit funds for direct credit have come solely from the USAID grant. To some extent, loan interest income augments available credit funds because field operating expenses are also mostly paid for by the USAID grant.

Funds are positioned by the WEDP Unit at the field office, based on an annual projection and target submitted by each center. A center keeps two accounts with the local bank. One account is called the Revolving Loan Fund (RLF) account; the other is called Loan Recovery Fund (LRF) account, where recoveries of principal and interest are deposited. To recycle funds in the LRF, centers have to request permission from the head office to transfer funds from the LRF to the revolving loan fund. Centers visited by the team do not see any problem with this process, and find that the head office acts quickly enough to their requests. Moreover, each center follows an accounting system, installed under the present project, that allows the center to view its financial operations as a business.

The critical problem is inadequate loanable funds to enable 22 direct credit centers to expand their outreach and business volume. Fund shortages have led to rationing to centers, and, consequently, to borrowers who wait in line to be served with re-flows from repayments. With growing demand for WEDP loans, a funding shortage has become more serious. Given this situation, centers with adequate capability to expand cannot do so and are held back from reaching sooner a higher level of operational self-sufficiency. As of the end of June 1996, the amount of on-lending funds available for direct credit totaled Tk 36.3 million ($0.886 million). This amount has been supplied from:

- USAID, amounting to Tk 33.45 million or $0.836 million (the total amount budgeted from a USAID grant for direct credit is Tk 53.3 million); and

- Interest earned of Tk 2.86 million, or 8 percent of the total credit fund available.

A potential source that is immediately available, and requiring only management decision, is the amount of savings deposits gathered by the centers. These deposits currently get only 4 to 5 percent per annum, instead of earning a 16 percent flat rate as loans. These savings had an outstanding balance of Tk 3,250,699 ($77,398) as of the end of June 1996. Assuming a 20 percent reserve, the amount of deposits could serve about 450 additional borrowers with an average loan of Tk 6,000, and earn Tk 416,000 interest income in a year instead of only Tk 52,000 from savings accounts. Gathering deposits and recycling these into loans are the most rudimentary elements of financial intermediation. Moreover, as successful MFIs in Bangladesh and other countries have learned, the long-run viability and sustainability of MFIs rests on the ability to mobilize savings as a major source of credit funds.

Since building up WEDP's deposit base will happen only gradually, it is crucial that WEDP is institutionally structured to permit it to source additional funds from donors and sources in the market to augment its existing credit fund. Donor funds for government-sponsored credit programs are thinning out. Donor institutions, including USAID, have re-focused their assistance directly to private organizations. Also, multilateral organizations are increasingly channeling their assistance for poverty alleviation through private, not-for-profit institutions such as PKSF whose mandate is to on-lend only to private organizations such as NGOs and cooperatives.[8]

[8] PKSF will administer a recently approved $105 million loan from the International Development Association (IDA) for the Bangladesh Poverty Alleviation Micro Finance Project. The loan will be used for on-lending by PKSF for its microcredit program through NGOs.

D6. WEDP's Institutional Framework

As a government-sponsored program, WEDP faces inherent constraints that limit how far it can grow and attain self-sustainability. Within the existing institutional framework, BSCIC has taken WEDP to a stage of near maturity.

BSCIC had taken a number of bold initiatives in the past 14 years, and nurtured WEDP to a point where it can now try to stand on its own. It is time for BSCIC to take another bold move to help WEDP progress into an independent financial intermediary institution, to encourage it to shed its grant-driven operations to one that is based on its own internal resource-generating capacity. By taking the step to institutionalize WEDP as a private not-for-profit entity, BSCIC and other deserving groups needing help will also benefit. Resources to be freed could be used by BSCIC to nurture similar projects. For operating expenses alone, maintaining WEDP's direct credit subprogram, with 22 centers, would cost BSCIC about Tk 16.0 million or more yearly.

The evaluation team recommends forming WEDP into a trust under the Trust Act of 1988. A BSCIC initiative to provide WEDP its own legal personality would be consistent with the present GOB thrust toward privatization and the growing trend among bilateral and multilateral agencies for supporting poverty-reduction programs through private efforts. Giving WEDP an independent institutional form has also been recommended by the Sectoral Needs Assessment Team (on Women-in-Industries) to the Ministry of Industries.[9]

Transforming a government-sponsored project into a separate and autonomous legal entity is not new in Bangladesh. SERWTCI has been created as a trust from within BSCIC. The Social Marketing Company (SMC), previously within the Ministry of Industry, has been functioning as a not-for-profit company in the private sector. Grameen Bank started as a project within the Ministry of Finance and is now the biggest successful autonomous microfinance bank for the poor.

[9] From the "Report on Women-in-Industries," prepared by Huda, Pal, and Syed, Sectoral Needs Assessment Team, for the Ministry of Women and Children's Affairs (October 1996).

SECTION V
TECHNICAL ASSISTANCE AND TRAINING INPUTS

Up to 18 months of short-term foreign consulting services and 10 months of local consulting assistance were programmed for WEDP to:

- Help it improve its credit administration by designing a new credit methodology and a computerized MIS;
- Assess selected microenterprise subsectors to provide options for WEDP; and
- Improve WEDP staff capability to conduct subsector analysis to reach "growth-oriented" enterprises.

The ultimate purposes were to upgrade the managerial capability of WEDP Unit and field offices and to improve their financial soundness. The delay in the delivery of TA mentioned earlier had dire consequences on the project.

A. Consultancy Services

Of the TA provided, the assistance for designing the new credit methodology proved to be very useful. It was well conceptualized and designed, and gave WEDP a practical handbook to begin its financial intermediation activities. Similarly, assistance from a local accounting firm to design and subsequently install and train the staff on a new accounting system was also completed satisfactorily and is useful.

The TA for designing the MIS and the subsector analysis, however, are assessed unfavorably. This assistance has not improved WEDP capabilities. Implementation was ill timed, and outputs were completed hurriedly to meet critical deadlines with little sensitivity to ground-level needs. The subsector analysis has so far been useless. The two head office staff members who participated in the exercise had been unable to transfer their skills to center staff because of the demand of their day-to-day jobs. There is an important lesson to be learned here. The TA was delivered at the time the new credit methodology was launched, before the new credit system was well on the ground, thus missing the crucial opportunity to mold the MIS and the subsector analytical approach to field-level requirements and management demand.

The MIS, designed by a foreign consultant supplied by Development Alternatives Inc. (DAI) and contracted to a local firm (BRAC) for implementation and technology transfer to WEDP, is not functional. A local programmer, subsequently hired by USAID under contract until March 1997, is working to make the MIS functional. There are still problems, and an uncertain future faces the MIS after the current project is completed. No one in the WEDP head office has a close working knowledge of the computerized MIS. Moreover, because of the voluminous data that have been required by the MIS design, data entry has lagged far behind the flow of data from 22 centers. Updating data especially on credit tracking is critical, and yet overtime work required to do so has not been permitted because of the added cost. The evaluation team feels that after so much investment has been spent on the MIS, it is advisable not to penny pinch on the cost of overtime work to take the MIS to the last few stages. Because of the relatively large budget already spent for the MIS, we focus on the MIS issue here.

B. Management Information System

The computerized MIS compiles data and presents summary tables for two types of data:

- Monthly financial data from all centers; and
- Data from the baseline survey of each client, collected at the time of each loan application, on a survey instrument entitled "Client's Profile."

B1. The Monthly Financial Data

Financial data consist basically of data on loan disbursements, recoveries, recovery rate, loans outstanding, classification of loans into current and past due, and aging of past-due installments. The MIS can produce financial outputs in summary form and according to many other dimensions, such as by center, by sector, by size of loan, by credit officer, by borrower, and so forth. The credit tracking subsystem is comprehensive and will be very useful once functional.

The priority need of WEDP management from the MIS is for basic information on loans disbursed, loans recovered, past dues, and loans outstanding on an up-to-date basis. The MIS could respond to this need if WEDP management would support the completion of data entry and field verification of data. The latter activity is particularly important because we have noted inconsistencies in the MIS-generated data and those kept at the centers. We also noted that some modifications had been made in refining the MIS. These modifications should be carefully documented by the computer programmer contracted by USAID in a revised manual. The present manual should also be carefully reviewed so that vaguely defined terms can be clarified. Most important of all, there is a need to prioritize the financial data, and therefore data entry for the client's profile will have to stop.

B2. Baseline Survey Data

The baseline survey data has so many problems, both in the questionnaire and in the computer program that presents summary tables, that it is currently useless for purposes of impact analysis or even for presenting a simple client profile.

The problems begin with an extremely complex questionnaire that contains many questions for which clients are in most cases unable to provide valid data. The information requested on different categories of income and expenditures, as well as the detailed data collected on the "qualifications, immunizations, main occupation, and part-time occupation" of every member of the "family" are often not known by the client. Certain problems with the questionnaire, such as the codes for materials used in the walls of the client's dwelling, seem to indicate that it was created by someone who was not familiar with housing in Bangladesh. For all these reasons, the data collected to date is unlikely to have much validity.

The assistant extension officers who administer the questionnaire must translate it from English into Bangla for each client. These officers have never been trained in the use of the questionnaire. Data collected in this manner is unlikely to be reliable. Little wonder, then, that WEDP staff have expressed considerable frustration about the two hours they must spend with each loan applicant trying to complete the questionnaire.

The computerized handling of the data is also highly problematic. Coded answers for each client are entered into five different databases, making it extremely difficult to pull out an entire data set for a single client. The 35 summary tables derived from the programs developed by the DAI/BRAC team of technical assistants are loaded with errors to the point that only a very few make any sense at all. Furthermore, some of the more interesting data, such as that on household assets, have apparently not been coded or entered at all.

None of this is the fault of the current programmer. It is the conceptualization of the baseline survey and the techniques set up for data handling and analysis that are faulty. What's more, the entry of all this data for every loan granted is overwhelming both the human capacity and the computer capacity of the MIS. This threatens the ability of the MIS to provide timely financial data upon which WEDP depends for actual management issues.

The problems with the baseline survey are so pervasive and so harmful to the efficiency of both WEDP center staff and headquarters computer staff as to warrant an immediate cessation of data entry into the computerized MIS. We would also recommend suspending the administration of the questionnaire at the field level until it can be completely reworked and simplified.

Bangladeshi experts on impact analysis, preferably the team that conducted two excellent client surveys for WEDP in 1986 and 1989, should rework the questionnaire, develop a much simpler set of baseline data for each client, and work out an analytical strategy that can both track individual clients and present various types of averages across clients.

In the future, even a simplified set of data should perhaps not all be entered into the MIS system. Instead, a two-pronged approach might be used. A minimal set of data could be computerized for each client, while the rest would be stored at each center on the original forms to serve as a basis for periodic impact studies. For the latter purpose, random samples of the simplified questionnaires could be drawn whenever an impact study takes place. The clients in the sample would be the only ones for whom the full data set would be entered for computerized statistical analysis.

No matter how the future system is organized, the evaluation team's major recommendation is that a Bangladeshi expert on impact studies be engaged immediately to evaluate and rework the baseline survey and the computerized framework for its analysis. The current system is having a serious negative impact on the efficiency of WEDP staff, the data collected is of questionable value, and the current output tables are unintelligible.

C. Training Inputs

Successful MFIs place particular importance on the continuing training of their staffs, and allocate increasingly larger proportions of their operating budgets for staff capability building. The same importance is envisioned in the WEDP Project Paper. However, in terms of what has been implemented, the evaluation team finds that there is wide scope for increasing the emphasis on staff training. The team also finds that there is a need to institute effective and continuing staff training to enable WEDP personnel to improve their work performance and efficiency. Training will become a much more critical input when WEDP becomes an independent MFI.

Several training events have been conducted for WEDP staff. These training events have had a high pay off. Training on direct credit methodology was given to about 200 WEDP officers, in five sessions, in March and April 1995. Some of the field assistants also participated in a day-long workshop on direct credit methodology. This training equipped field officers with the basic knowledge and skills to start their new "banking" activities with some degree of confidence. Similarly, a local accounting firm was hired to design a new accounting system for WEDP that properly traces costs, interest income, and the like in the context of business and profit-center orientation. The design and subsequent staff training were completed satisfactorily, and the system is in place.

Forty-one senior extension officers and WEDP staff also received short-term (four to six weeks) study-observation training on microenterprise development in India. There, they shared management experiences of successful microfinance schemes and learned new approaches. Most trainees feel that what they learned helped them in their credit functions. Unfortunately, no further training has been received by the staff, and many of the credit officers have not benefited from any training at all.

SECTION VI
CONCLUSIONS AND LESSONS LEARNED

The WEDP direct credit methodology is working. The field staff is delivering despite operational constraints. The project purpose to increase women's participation in and benefits from viable businesses in the informal sector is clearly being achieved for current clients. Many of the clients reached are poor, and WEDP assistance has had a positive impact on the clients in terms of income, increased assets, employment generation, and their status in their households and communities.

The purpose of WEDP is appropriate as a strategy for poverty reduction and WEDP should continue to focus on identifying potential women entrepreneurs from among the poor. Another target group to continue aiming for are women with modest income ("gray area" clients) whose businesses provide both employment and skills training to women workers.

There is wide scope for improving WEDP's operating efficiency and reducing subsidies. With WEDP's successful performance within a short period of time, however, we are optimistic that WEDP can easily reach full operational self-sufficiency in two years, and financial self-sufficiency in another year. To increase efficiency, expand services to many more poor women, and cover its own operating and financial expenses, three critical areas have to be addressed: (1) additional credit funds have to be infused, (2) institutional and structural changes are needed to transform WEDP into an independent entity with its own legal personality, and (3) policy and procedural changes need to be instituted.

Important lessons to be learned from the current WEDP phase include the following:

- Program designers correctly emphasized the goal of benefit sustainability and what is needed to achieve this goal, including the need to provide WEDP management with autonomy and flexibility. However, the program designers did not define the institutional and legal framework needed to achieve project sustainability and organizational growth. The lack of a clear organizational framework to work within has placed management initiatives at bay.

- Within a government institutional framework, inherent constraints limit how far a microenterprise financing program such as WEDP can grow. This limit should be recognized in designing projects so that an appropriate institutional path to pursue could be defined for implementation.

- Within the context of a Project Proforma-led program in the government, it is extremely important to carefully and meticulously craft the provisions of the PP and to ensure that these provisions match those contained in the Project Agreement between the GOB and donor agency.

- A lesson of experience from the TA provided on the computerized MIS and subsector analysis demonstrates the need for proper timing of such activities and the need for designers to have a clear understanding of the realities and difficulties at the field and management levels. The implementation schedule of the MIS and subsector analysis should have been delayed until the credit system was functioning well. This would have allowed the designers to have a better appreciation of, and thus fit their design to, the needs and capacities at the center level and headquarters.

- Training inputs that are well designed and facilitated by competent, experienced trainers are highly productive. Training by exposure to successful experiences is also useful. Despite the scarcity of further staff training, the one-shot basic training on the new credit methodology and accounting system, and the one-time foreign training abroad, allowed WEDP field officers to successfully navigate the program on their own.

- A business-oriented and profit-center approach is important, especially for government-sponsored credit programs. Within this context, combining responsibility and accountability with decentralized decision making on loans is needed to motivate good staff performance.

- Within the cultural context of Bangladesh, an important role exists for a female-staffed microenterprise financing program. By fielding mostly female credit officers to reach out to communities, provide credit, collect repayments, and accept savings, WEDP's pioneering effort breaks through traditional conventions of male-dominated MFI field units. The effort is paying off in terms of defining a new role for educated Bangladeshi women in the field of local community and enterprise development.

- Having a dedicated, committed, and honest field staff endows credibility to a program such as WEDP and creates a loyal group of clients.

- Access to a savings facility is also important to poor women. Given appropriate savings instruments and convenience, poor women are encouraged to increase their financial savings. This lesson is found in many other successful poverty-focused microfinancing programs all over the world.

ANNEX A
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ANNEX B
LIST OF PERSONS CONTACTED

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BSCIC and WEDP

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Ms. Dilara Kibria, Deputy General Manager, WEDP
Mr. Shah Alam Chowdhury, DGM, ISC (BSCIC), Chittagong
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Nongovernmental Organizations

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Mr. Rafiqul Islam, Unit Manager, Poba, Rajshahi
Ms. Humaira Islam, Executive Director, SHAKTI Foundation for Disadvantaged Women
Dr. Salahuddin Ahmed, Managing Director, Palli Karma Shahayak Foundation (PKSF)
Ms. Khurshida Khatun, Credit Officer, BRAC Regional Office, Rajshahi

ANNEX C
WEDP OPERATIONAL AREA

Division (E.Y.)	District	Thana	Year of Establishment
Dhaka	Sherpur	Sherpur	1982-83
	Gopalgong	Muksudpur	1983-84
	Madaripur	Rajoir	1987-88
	Tangail	Mirzapur	1989-90
	Dhaka	Savar	1990-91
	Jamalpur	Dewangonj	1991-92
	Narayangong	Rupgong	1991-92
	Kishoregong	Kishoregong	1992-93
	Manikgong	Singair	1992-93
	Tangail	Ghatail	1993-94
Chittagong	Sylhet	Balagonj	1983-84
	Brahmanbaria	Sarail	1984-85
	Chittagong	Hathazari	1989-90
	Chittagong	Potia	1993-94
	Comilla	Chandina	1993-94
	Chandpur	Chandpur	1993-94
	Comilla	Laksam (Closed)	1982-83
	Noakhali	Begumgonj (Closed)	1983-84
Rajshahi	Joypurhat	Akkelpur	1988-89
	Dinajpur	Parbatipur	1988-89
	Sirajgong	Raigong	1989-90
	Natore	Natore	1990-91
	Dinajpur	Dinajpur	1991-92
	Gaibandha	Gaibandha	1992-93
	Rajshahi	Poba	1993-94
	Pabna	Ishwardi	1993-94
	Rangpur	Kawnia (Closed)	1988-89
Khulna	Satkhira	Tala	1983-84
	Jhinaidha	Jhinaidha	1988-89
	Kushtia	Kushtia	1992-93
	Jessore	Monirampur	1992-93
Barisal	Pirojpur	Swarupkathi	1982-83
	Potuakhali	Potuakhali	1989-90
	Barisal	Barisal	1990-91

Established 1994-1995:

Dhaka	Dhaka	Dhaka Metro	1994-95
	Munsigonj	Munsigonj Sadar	1994-95
Barisal	Bhola	Bhola Sadar	1994-95
Khulna	Bhagerhat	Bhagerhat Sadar	1994-95
Chittagong	Cox's Bazar	Cox's Bazar Sadar	1994-95
	Chittagong	Chittagong Metro	1994-95

ANNEX D
WEDP CENTERS, UNDER DIRECT CREDIT ADMINISTRATION, NUMBER OF LOANS (BORROWERS) SERVED, SEPTEMBER 1996

Center	Month and Year Started Direct Credit	No. of Loans (Borrowers)		Total No. of Loans Borrowers (C=A+B)	Productivity Per:	
		Under Direct System (A)	Bank-Linked Loans for Recovery* (B)		Staff C/9	Credit Officer C/5
Dhaka Metro	April 1995	350	0	350	39	70
Munshigonj	April 1995	440	0	440	49	88
Rupganj	April 1995	406	300	706	78	141
Kishoreganj	August 1995	370	150	520	58	104
Ghatail	September 1995	206	200	406	45	81
Savar	April 1995	368	215	583	65	117
Singair	April 1995	444	210	654	73	131
Rajoir	August 1995	526	500	1026	114	205
Mukshedpur	April 1995	104	600	704	78	141
Dinajpur	April 1995	334	100	434	43	72
Poba	April 1995	460	40	500	56	100
Natore	June 1995	303	120	423	47	85
Ishwardi	June 1995	267	90	357	40	71
Bagerhat	April 1995	379	0	379	42	76
Bhola	June 1995	248	250	498	55	100
Chitt. Metro	April 1995	289	0	289	32	58
Hathazari	April 1995	238	300	538	60	108
Potia	August 1995	308	0	308	342	62
Cox's Bazar	June 1995	242	0	242	27	48
Chandpur	September 1995	362	100	462	51	92
Chandina	June 1995	350	75	425	47	85
Kushtia	June 1995	372	120	492	55	98
	Total	7,366	3,370	10,736	54	97
Average per center:		335	153	488		
Average per center without old loans:		335	0	335	37	73
Average per center with old loans:		335	211	546	61	109
Average per center productivity, credit budget only:				335	37	66

Note: */ Refers to borrowers who took their loans under the bank-disbursed system prior to the introduction of direct credit administration. Their loans became past due and are being recovered by the centers.

Source of basic data: WEDP head office.

ANNEX E
CLIENT IMPACT ASSESSMENT[1]

A. Introduction

The terms of reference for the assessment of WEDP's impact on borrowers posed the following questions:

- Is WEDP reaching the intended people? What are the characteristics of the people the project is serving?
- What are the qualitative and quantitative impacts on the clients and their households?
- What is the likely continued impact over the rest of the project period and beyond?
- To what extent is the project purpose being achieved as envisioned in the design?
- Is the purpose as identified in the design appropriate as a strategy for poverty reduction in Bangladesh?

The methodology suggested in the Terms of Reference (TOR) included individual and focus-group interviews covering 150 clients in four selected WEDP field sites, two in urban or semi-urban areas. This was essentially the methodology the evaluation team followed, although some modification was required to complete the interviews in the 11 days available for field visits. A highly skilled post-graduate in sociology joined the team as an interpreter.[2] She and the consultant conducted two-hour group interviews with a total of 138 borrowers. Groups ranged in size from 6 to 13 client participants. We also visited several enterprises, including those of four borrowers who did not participate in the group discussions.

General discussions of the WEDP program opened each group session, followed by a series of individually posed questions that solicited data on pre- and post-loan activities, labor times of borrowers, husbands, family members and hired workers, asset acquisition, decision-making, income control, and perceptions of the major effects of the loan. We are very grateful for the patience of all the WEDP clients who so carefully and cheerfully responded to our questions.

Although a great deal was learned from these group interviews, it is important to recognize that the data obtained cannot be considered an impact survey in the normal sense of the term. We interviewed a nonrandom sample of borrowers, we had no data on their pre-loan situations other than that collected in the interviews, and we had no control group to allow us to attribute impacts to the program. Furthermore, lack of time and budget precluded a computerized analysis of the data.

The clients interviewed were selected by extension officers on the basis of two criteria established in advance: representation of extremely poor and moderately poor clients, and

[1]This assessment was prepared by consultant Jeanne Koopman, Ph.D.

[2]Syeda Sarah Jesmin.

representation of first-loan and multiple-loan recipients. We were able to interview 142 clients in 11 days only because we were able to meet with the extension officers of the centers we planned to visit while they were attending a workshop in Dhaka during the first week of our mission. The pre-arrangement of the focus group meetings also allowed us to meet either in the center office or, more commonly, in a bedroom or courtyard of a client's home, venues that usually provided the quiet conditions needed for the type of relatively intensive interviews we conducted.

No WEDP staff attended the group interviews, and clients seemed to feel free to express a variety of opinions about the program. However, the need to avoid unwanted intrusions into private matters in the context of group interviews made it imprudent to ask the types of questions about business profits or household income that can be posed in individual interviews.

Our findings are presented in three sections: a socioeconomic profile of clients; an assessment of program impact on employment, income and assets, and women's decision-making and status; clients' loan transaction costs as well as their needs and opinions about the program.

B. Client Profile

A major study of rural poverty in Bangladesh[3] found that more than half the rural population lives under the poverty line, a measure of the income needed to assure adequate nutrition and basic needs. Twenty-two percent of the population lives in extreme poverty, having incomes that cannot assure consumption of 85 percent of caloric needs.

In order to describe the characteristics of the people the project is reaching, we attempted to determine the socioeconomic status of clients according to the categories used in the rural poverty study: extreme poor, moderate poor, and nonpoor or what we refer to here as the modest income group.

With the assistance of WEDP center staff, we developed the following criteria for identifying households as extremely poor: the husband or the client works or recently worked as a day laborer, or the husband has an extremely low-paying occupation such as rickshaw pulling or agricultural tenancy, or the household has no source of income other than the woman's earnings. We classified households as nonpoor if the husband is a skilled worker with a monthly wage or salary, the household has a business that employs several workers, or if mentioned household assets include luxury items such as televisions. The remaining households were classified as moderately poor. The categorization of clients by these criteria, when based on a single group interview, is obviously subject to error. We nonetheless have some confidence in the validity of our findings because the answers to several questions were used to estimate each individual's socioeconomic situation.

B1. Findings

B1a. Socioeconomic Status

Our results suggest that nearly three-quarters of WEDP clients are either moderately or extremely poor. The bottom quarter are probably extremely poor.

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[3]Rahman, H.Z., M. Hossain, and B. Sen, eds., *Dynamics of Rural Poverty in Bangladesh: 1987-1994*, Bangladesh Institute of Development Studies, Dhaka, April 1996.

Table E-1. Borrowers' Socioeconomic Situation

	Savar Peri-urban	Hathazari Rural	Poba Rural	Munsiganj Peri-urban	Total % No.
Extreme Poor	9 22%	15 47%	9 24%	3 11%	36 26%
Moderate Poor	18 44%	65 47%	17 46%	15 54%	65 47%
Modest Income	14 34%	2 6%	11 30%	10 35%	37 27%

Our rough estimates of clients' socioeconomic status suggest that the program is reaching primarily people in the lower half of the income distribution. Recall that the 1995 rural poverty study found that half the rural population live under the poverty line, whereas probably three-quarters of WEDP clients are from households living in some degree of poverty. However, at least a quarter of WEDP clients probably have household incomes that would place them somewhat above the poverty line.

A random sample survey of 361 WEDP borrowers was conducted by Dr. Syed Hashemi in 1989 as part of an evaluation of an earlier phase of the project.[4] Dr. Hashemi collected income data but considered it too unreliable to report. Our socioeconomic categories are even rougher, but we thought it important to attempt to draw an income profile, even though it is based only on occupations of the clients and their husbands.

About 20 percent of clients said that the income from their businesses is the major source of household income. All of these clients are among those we categorized as extremely poor. Some are abandoned, some widowed, and some have husbands who are day laborers.

B1b. Marital and Educational Status

The overwhelming majority of clients (88 percent) are married. The proportion of widows among the project clients we interviewed is similar to the share of widows in the 1989 survey. Eight percent of our interviewees are widows, whereas the 1989 survey found that 6 percent of clients were widows.

In contrast, the share of divorced or abandoned women in our sample (only 3 percent) is far lower than the 15 percent found in 1989. This may reflect a change in the socioeconomic status of WEDP clients from the extremely poor category (which always includes a high share of divorced and abandoned women) toward the moderately poor.

In 1989, 78 percent of clients were illiterate. Today, we found that only 58 percent are illiterate or only able to sign their names, whereas 31 percent have primary and 11 percent secondary education. One borrower even has a university degree. This increase in the average educational level of borrowers may indicate that current WEDP borrowers include relatively more prosperous clients today than was the case in 1989.

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[4]Syed M. Hashemi, *Credit for Rural Women: An Evaluation of the Women's Entrepreneurship Development Program,* June 1989. It is important to note that the 1989 sample survey was conducted in four rural centers, whereas our survey covered two rural and two peri-urban centers.

B2. Discussion

Since 1989, the WEDP program may have shifted its focus slightly away from the extreme poor, especially those without husbands. It may have also started including a larger number of borrowers who are from households somewhat above the poverty line. If this is the case, it may reflect two factors: a very heavy emphasis on repayment rates as the main criterion for borrower approval, and a desire to increase the number of larger loans in the total WEDP portfolio, which is one of the performance criteria of the program.

There also seems to be a strong tension between the desire to achieve high repayment rates and the desire to serve the poor. The driving force in client selection seems to be a preoccupation with the recovery rate. Although this is a totally valid concern, it is being pursued in a manner that is unlikely to reflect a client's willingness and ability to repay, and is highly likely to discourage or exclude potential borrowers from the bottom 20 percent of the income distribution.

Government regulations require each borrower to show an original land or homestead certificate and submit a photocopy which is kept with the loan application. This regulation excludes renters, migrants, and landless women. Our interviewees said that they know several women who would like to borrow from WEDP, but cannot meet the home ownership requirement.

Our data suggest that divorced or abandoned women are being discouraged from seeking WEDP loans by the regulation that requires each female borrower to have a husband's or father's signature on her application form. The contrast between the share of WEDP clients who were divorced or abandoned in 1989 and the far smaller share of divorced clients in our sample suggests that this problem may be more serious today.[5]

The government regulations that exclude important segments of the poor reflect the power of the myth that the extreme poor are less likely to pay back their loans than the moderately poor or the nonpoor. The experience of the many NGOs in Bangladesh that provide credit to destitute women should have dispelled these myths by now, but they remain powerful, especially in government circles.

C. Program Impact Assessment

C1. Enterprise Funding

The borrowers interviewed used their WEDP loans primarily to expand existing businesses (64 percent) and to start new businesses (25 percent). A small number of borrowers used the loans to fund a husband's or son's business in which the client takes no part (9 percent) and a very few used the loan for a nonbusiness-related purpose (2 percent).

Table E-2 indicates the types of businesses pursued by the clients we interviewed.

[5]The 1981 Bangladesh Agricultural Sector Review found that 15 percent of rural households were female-headed, whereas 25 percent of landless households were female-headed (Kabeer, 1991).

Table E-2: Businesses in the Client Survey

Sector	Number	Percentage	Comment
Cow rearing	26	19%	Mainly part-time
Grocery shop	13	10%	May be family business
Tailoring/embroidery	11	8%	Man's or women's business
Pottery	11	8%	Family or women's business
Poultry rearing	10	7%	Full/part-time women's business
Mat making	9	7%	Hindu women
Rice husking	9	7%	Some extreme poor
Plastic rope making	7	5%	Modern family business
Weaving cotton cloth	6	4%	Women's traditional business
Bamboo products	6	4%	Women's traditional business
Puffed rice (muri) making	5		Some extreme poor
Cloth trading	4		Some extreme poor
Broom making	3		Family or man's business
Rickshaw rental	3		One client to husband
Sweet making	2		
Restaurant	2		Man's or family business
Paper packet making	2		Extreme poor
Fish farming	2		Above poverty line
String making	1		Family business
Fish net making	1		Extreme poor
Trawler boat rental	1		Nonpoor but husband ill
Wholesale rice trade	1		

Women's start-up businesses are often in cow or poultry rearing, rice husking, puffed rice making, or cloth trading. Except for cow rearing, which demands a large initial investment, these start-up businesses are accessible to very poor women. Cow rearing and poultry rearing are especially popular in the peri-urban areas where marketing is easy.

About 20 percent of loans have been used to expand long-standing family businesses, most of which have long been controlled by the client's husband with the client as a major source of labor. Examples are plastic rope making, string making, and broom making. In a few of these family businesses, however, with the encouragement of WEDP staff, the borrower has become a co-manager, taking an ever greater role in decision-making as she gains knowledge about the finances of the business.

Groceries, tailoring, and pottery may either be a family business or an individual woman's business. Weaving, mat making, puffed rice making, and other types of food processing are traditional women's businesses.

Based on a comparison of our sample with overall center data on the types of businesses funded, we feel that our sample fairly accurately reflects the distribution of WEDP loans across enterprises. We may, however, have an over-representation of one or two relatively uncommon activities such as pottery making.

C2. Loan Size

Most first loans are for Tk 3,000-5,000 ($75-125), with increases for second and subsequent loans based on client preferences and staff judgements about the client's ability to repay.

Only a very few loans exceed Tk 10,000 because of the complex and relatively lengthy process needed to approve loans above this size. Several entrepreneurs in rice husking, tailoring, cow rearing, groceries, and plastic rope making find the need to wait two or three months for the approval of a larger loan unacceptable because they cannot afford to be without financing during that long a period. They complain that the effective upper limit of Tk 10,000 is preventing them from expanding their businesses.

C3. Employment Generation

The primary employment effect of WEDP loans is to create or expand part-time and full-time employment for the borrower. Some 28 percent of WEDP borrowers have created new employment for themselves, a few managing to move from impoverished positions as day laborers to stable self-employment. Among the new business operators are women who are supplementing their traditional work as wives and mothers with part-time, income-generating activities such as cow rearing. Others are moving into full-time self-employment as small shopkeepers, tailors, rice huskers, and food processors. The majority of borrowers are expanding already existing enterprises, often moving from part-time to full-time entrepreneurs.

Overall, we found that 60 percent of borrowers are working full time in their businesses, while 31 percent spend about half their time in loan-financed activities. Livestock and poultry rearing are the major part-time businesses. Women in most other businesses commonly reported an eight or more hour workday.

Table E-3. Borrower's Time in WEDP-Funded Business

Full Time	Part Time	No Time
60 %	31%	9%

Those women who do not work in the business funded by the WEDP loan have either diverted the loan to a husband's or son's business or, in two cases, have invested in an asset, such as a rickshaw or a boat which they rent out. When the loan goes to a man's business, he normally controls the income, but when the loan is used to acquire an asset, the woman normally receives the income, even if her husband collects the rent.

Husbands work full time in 26 percent of WEDP-funded businesses. Most of these men are managing long-standing family businesses in which the husband has traditionally been the entrepreneur and the wife a source of labor. Under the WEDP program, women are learning about the finances of family enterprises, and some are taking on new roles as business partners with their husbands.

Eighteen percent of husbands work part time in women-controlled businesses or in husband-wife partnerships.

Slightly more than half of clients' husbands either do no work at all in their wives' businesses or spend an average of less than one hour a day on the occasional tasks of input procurement or output marketing.

Table E-4. Husband's Time on WEDP-Funded Businesses

Husband's Time	Number	Percent Share
Full Time	31	26
Part Time	21	18
One Hour a Day	33	28
No Time	35	29

The creation of employment for other family members in WEDP-funded enterprises is modest. The number of adult family members working full time in WEDP-funded businesses (17 men and 13 women in our sample) is similar to the number of husbands working full time. Many of these family laborers are concentrated in traditional family businesses.

A few borrowers have adult family members who help out occasionally, but most of women's part-time help comes from their children. Fifty-two children (31 girls and 21 boys) are helping their mothers for one to two hours a day. Two teenaged sons are helping full time.

Only about a quarter of the businesses in our sample employed hired workers. Over half of these are male-controlled. The traditional family businesses have the most hired workers. Plastic rope making, broom making, and restaurants hire mainly men and boys. Groceries and tailoring businesses hire both men and women.

About 40 percent of the businesses that hire workers are women-controlled. Traditional women's pottery making (hand-molded rather than wheel-thrown products), puffed rice (muri) production, bamboo products making, and rice husking all employ workers—mainly women. One woman with a relatively higher income employs several teenaged girls as apprentices in embroidery.

Thirty-eight women and 31 men are currently employed full time in WEDP-funded enterprises. Four women and seven men are also employed part time. However, only 39 percent of these jobs have been created since the first WEDP loan was received.

Table E-5. Hired Labor in WEDP Funded Enterprises

	Currently Employed	**Employed Since Loan**
Female Adult, Full Time	38	11
Female Adult, Part Time	4	4
Male Adult, Full Time	31	14
Male Adult, Part Time	7	2
Total Adults	**81**	**31**
Female Child, Full Time	19	19
Female Child, Part Time	1	0
Male Child, Full Time	16	7
Male Child, Part Time	0	0
Total Children	**36**	**26**

The major change in paid employment in WEDP enterprises has been in the employment of children from 7 to 14 years old; 87 percent of currently employed child workers have been hired since the loan was obtained. Of these 19 are girls and 7 are boys. Thirteen of the girls have replaced the daughters of six women potters who can now afford to send their own children to school.

We collected wage information from half of the women who employ hired labor. Wages paid are well below the urban minimum rural wage of Tk 100 a day ($2.50). They are not far, however, from the average rural wage in 1994 which was Tk 42 a day. The highest wages we recorded were for adult males working 10-11 hour days in plastic rope making at Tk 70 a day. Male broom makers are hired at Tk 40-50 a day.

Women workers who produce the plastic string that men then twist into rope are said to work five to six hours a day, but they only make Tk 20, the same wage paid to children 8-12 years of age. Some children and part-time hired workers are paid with food and shelter. In a large "mini garments" enterprise where 20 teenaged girls are hired to do embroidery as apprentices, the pay is Tk 20 a day, while full-time, and fully skilled women workers earn Tk 60 a day.

It is interesting to observe how full-time work at these wage rates compares with the extreme and moderate poverty lines calculated in the 1995 rural poverty study. Households of average size (5.9 members) with incomes under Tk 2,000 a month are in the extreme poor category. A household earning between Tk 2,000 and Tk 3,300 is in the moderately poor category, still unable to provide its members with a nutritionally adequate diet and other basic needs.[6]

A woman with a wage of Tk 20 a day earns only about Tk 500 a month, a mere quarter of the extreme poverty income for the average family. A man working full time at Tk 70 a day, the highest wage we recorded, still cannot bring his household out of extreme poverty.

For the young and the very poor, however, wage work may represent the first step in moving out of poverty. The women and girls hired in businesses such as tailoring and food processing can learn a skill that they may later use for self-employment. The WEDP clients who have managed to do this were very clear that they think self-employment is far better than daily wage work in the informal sector. A few even found it preferable to full-time wage employment in the formal sector.

C4. Income Generation and Asset Acquisition

Although we did not attempt to collect direct data on business or household income, we did ask a general question about the client's perception of the major benefits of her WEDP loan. In responding to that question, about a third of the borrowers said that they had expanded their businesses. A similar number said that their household income had increased. About 20 percent of borrowers, all of whom we categorized as extremely poor, indicated that their business incomes are the major source of their household incomes.

Indirect evidence of increases in business and household income improvement was also obtained from data on assets purchased either with the loan or with the profits of the business. Table E-6 lists the business assets acquired by the 142 clients interviewed.

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[6]I have taken the 1994 per capita poverty lines, multiplied them by the average household size, and adjusted them for inflation over the past two years.

Table E-7 lists the household assets spontaneously mentioned by borrowers as major benefits associated with the WEDP loan. We assume that these were acquired mainly with income generated by the WEDP-funded enterprise, although some may have been purchased, at least in part, with proceeds from the loan. This seemed to be the case in one or two instances of repeat loan recipients. The reader should also note that we did not have a systematic question about household assets, so Table E-7 may greatly underestimate the effect of the loan on household asset acquisition.

Table E-6. Business Assets Acquired Since Receiving Loan

Business Assets	Number
Cows	40
Poultry	10
Goats	1
Sewing Machine	7
New Shop or Shop Improvement	4
Machine for Plastic Rope Making	3
Rickshaw	3
Large Pots for Puffed Rice Production	1
Trawler Boat Engine	1
Rice-Husking Equipment	1

Table E-7. Household Assets Acquired Since Receiving Loan

Household Assets	Number Reporting
New House	2
House Improvement or New Roof	9
Electricity for House	2
Land	6
Refrigerator	1
TV or VCR	4
Electric Fan	3
Bed	1
Bicycle for Husband	1
Gold Jewelry	1

One borrower actually acquired land in her own name. Most of the women who listed household assets purchased from business incomes were repeat loan recipients.

C5. Decision Making and Entrepreneurship

To investigate women's roles in decision-making, we asked the following questions: who made the decision to seek the loan; who decides how much raw material to obtain; who decides who will work on the enterprise; who decides the sales price; who is the manager of business finances; and who controls the business income.

The results indicate that there has been significant progress in the development of women's entrepreneurship since the 1989 client survey. At that time, Professor Hashemi found that only 13 percent of borrowers were the sole managers of their enterprises. Today 37 percent say that they are managing their businesses entirely on their own.

In 1989, 28 percent of WEDP borrowers managed their businesses jointly with their husbands, 33 percent were involved only as workers, and 26 percent were not involved at all.[7] Today 24 percent are *joint managers*, 33 percent are merely working in enterprises managed by their husbands or sons, and only 8 percent of borrowers are not involved in the business at all. (In the latter cases the loan was either diverted to a husband's or son's business or used for a nonbusiness-related expenditure.)

These findings on business management mirror the answers to our question on who decided to seek the loan. Twenty-six percent of the interviewees said that they had decided to seek the loan, 39 percent said the decision was made jointly with the husband, and 35 percent reported that the husband had requested them to seek the WEDP loan.

Table E-8. Decision-Making and Entrepreneurship

	Decision to Seek Loan	Manages Business	Controls Income
Client	26%	37%	58%
Joint	39%	22%	14%
Husband or Son	35%	41%	28%

Control over business income seems to be more fully in women's hands. Our estimates in Table E-8 come from answers to our direct question, "Who controls the income from your business?" We also considered a woman "in control" of her business income when she said that she receives it from the buyer of her products or from her husband or son after he sold her output. Fifty-eight percent of clients reported that they alone control business income, 14 percent said that they control the income jointly with their husbands, and 28 percent said that their husbands or sons control the income and only give them the money for the loan instalments.

C6. Women's Status

Most women reported that the fact that she had received a loan, irrespective of its use, gave her a better status simply because she was bringing something of clear value to the household. "My husband treats me better now," was a remark we heard often.

Many women who work in male-controlled family enterprises felt that they had gained in status after the WEDP officers had encouraged them to learn about the financing of the family business. This knowledge was experienced as an increase in power. As one woman remarked, "Now we know as much about the business as our husbands. They can't fool us any more." Another women went even further, "Now we can talk to our husbands as equals."

Among the women in nonpoor or moderately poor households, improved status was experienced as an increase in financial independence and a new ability to influence decision-making on household expenditures. "I don't have to ask my husband if I want to buy something" is a remark we heard several times.

Women of all socioeconomic situations reported that they had taken on the educational expenses of their children, particularly of their daughters. Among those women we classified as

[7]Curiously, the 1992 WEDP Project Paper cites a completely different (and far more optimistic) set of figures on decision making for 1989 (p. 27), but does not cite the source of its data.

extremely poor, a significant number reported that they were now able to put their children in school and to feed them better.

Several of the poorer women reported with some pride that they make a major contribution to household income. Indeed, some provide nearly all the earnings in their households.

Other women improved their status in the household by setting their husbands up in business: one by buying her husband a rickshaw so that he did not have to rent one, and another by helping her husband establish a restaurant.

Women's status in the community has also improved. One woman said that she had suffered from lack of respect as a day laborer, but had gained a good deal of respect as a successfully self-employed puffed rice maker.

Several women mentioned that they were more respected in their communities because they no longer had to borrow from neighbors. One said that because people realized that she now had her own source of income, she could more easily borrow from neighbors if she had an emergency.

C7. Client Evaluation of the Loan's Primary Impact

To conclude our interviews, we asked each individual what she can do now that she could not do before receiving the loan and what she considers the main benefit of the loan. We present a selection of the most frequent answers grouped according to three categories: impact of the loan on the enterprise, the household, on indebtedness and ability to save.

C7a. Impact on the Enterprise

- I was able to start my own business;
- I went from being a day laborer to being self-employed;
- I now have my own raw materials; I no longer have to give half my output to the person who supplied my raw materials;
- I no longer have to pay 10 percent interest per month to money lenders to finance my cloth trading business;
- I don't have to borrow from neighbors to buy raw materials;
- I was able to revive a business I had closed due to lack of capital; and
- I now have my own assets: cow, goat, poultry, and rickshaw (and even, for one woman, land in her own name).

C7b. Impact on the Household

- Our household income has increased;
- I was in poverty; now I'm a bit better;

- I can support my family since my husband left me;
- My husband is ill, but now I can support the family;
- We have better food and better clothing;
- There were quarrels when the family was in need. This has been reduced;
- I am now able to send my children to school;
- I can now pay for the children's educational expenses without arguing with my husband;
- I have engaged a tutor to help my children with their school work (this is especially significant for illiterate parents); and
- We had to pay major medical expenses for our son, but the loan allowed us to keep our business operating.

C7c. Impact on Indebtedness and Saving

- The loan allowed me to pay off a long-standing family debt;
- I don't have to borrow from neighbors any more;
- Because people know that I am earning, I can borrow if I'm in need;
- I have my own savings now; and
- I have saved Tk 20,000-30,000 since getting my first loan.

C8. Discussion

In order to indicate what impacts should be expected from a micro-credit program such as WEDP, we reviewed some of the more rigorous impact studies of similar micro-credit programs in Bangladesh.[8] These studies indicate that we should expect only modest increases in income for poor clients taking their first loan, but somewhat larger increases with subsequent loans.

BRAC achieved only a 1 percent increase in borrower household income for first loans and a 6 percent increase for third loans. The Thana Rural Development Extension Project (TRDEP), a government program that serves moderately poor and nonpoor households, reported a 16 percent increase in income with the first loan and a 23 percent increase with the third loan.[9]

Although we do not have direct evidence on the income impacts of WEDP loans, nor any comparative data for a control group, we do have comparisons among borrowers from different socioeconomic strata on post-loan asset acquisition and perceived benefits of the loan. Like the more rigorous studies, our data indicate that the larger increases in household income were concentrated among the nonpoor and the moderately poor who had received repeat loans.

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[8]The studies reviewed are listed in the references.
[9]Montgomery *et al.*, 1995.

In contrast, very poor first-time loan recipients tended to report that they felt little, if any, gain. They were, however, hopeful of earning better incomes after their initial loans were repaid. This was especially true of first-time borrowers who had acquired business assets that would permit them to retain more of their earnings after the loan was repaid. And, in fact, very poor repeat loan recipients often indicated that their incomes had increased significantly during the second and third loans.

On the issue of employment generation, much of the literature suggests that although micro-credit programs are successful in creating new employment for the borrower and his or her immediate family, little should be expected in the generation of nonfamily employment. A study of BRAC found that 0.8 jobs had been created per enterprise since the receipt of the first loan, whereas the TRDEP loan program, which serves clients in a somewhat higher income bracket, had a job creation ratio of only 0.1 jobs per enterprise.[10] This suggests that focusing loans on relatively more prosperous clients may not be a particularly viable strategy for employment creation.

Our results show 0.4 jobs created per current enterprise, less than BRAC but more than TRDEP. Our result may not be strictly comparable, however, since we did not have a random sample. Because wage employment in our sample was concentrated in only a few types of business, we may have over-sampled certain employment creating family businesses such as pottery and plastic rope making. Much of the child labor we found was in women's pottery making.

These considerations should be kept in mind when considering how WEDP should focus its loan strategy. Our interpretation would suggest that WEDP can do the best job in employment creation and in poverty reduction by continuing to concentrate on helping poor women move into self-employment. The creation of new businesses by formerly unemployed women (28 percent of WEDP borrowers) as well as the facilitation of business expansion and business stabilization for the majority of borrowers represents, in our opinion, a substantial contribution to both employment generation and improved security for the poor.

This is not to argue that WEDP should give up its goal of increasing its effective loan size or that it should not offer credit to women from households above the poverty line. We are rather arguing that WEDP should concentrate on the development of poor women's entrepreneurship skills and on funding poor women's self-managed businesses. As poor women learn better business management and as they prove their creditworthiness, many of them will gradually move into the larger loan categories. Some may also then begin employing others.

WEDP's impact on women's ability to use loans to create their own businesses and to manage them independently has been significant. As pointed out in our findings on decision-making, about 40 percent of borrowers are making all their own business decisions, compared with only 13 percent in 1989. As WEDP continues to provide advice and training in business management to its clients, we can expect that the share of borrowers who are becoming full-fledged entrepreneurs will continue to increase.

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[10] *Ibid.*

D. Client Interaction with WEDP: Needs and Opinions

D1. Relations with WEDP Staff

The WEDP loan program is highly appreciated by it's clients. Women regularly and spontaneously said WEDP staff are extremely honest, helpful, and genuinely concerned about their welfare.

Many women said that they had received important business advice from WEDP staff. This included advice on how to manage inputs and marketing, how to increase output and productivity, and how to figure out how much the client is actually earning for the amount of time she is putting in. Women in family businesses have become aware of how much everyone in the business is earning for the household. These are all important elements in an emerging sense of entrepreneurship.

D2. Client Transaction Costs

To assess the nature of the transaction costs in both money and time that clients are paying to become WEDP borrowers, we posed group questions asking respondents to describe the sequence of their interactions with the program. We learned that most clients first heard of the WEDP program by word of mouth. After they went to the WEDP office to inquire about the program, WEDP officers visited them in their homes and suggested that they form a group of prospective borrowers who met the WEDP eligibility criteria.

After groups were formed, the prospective borrowers began the twice monthly WEDP meetings and the compulsory Tk 10 per meeting savings program. During the subsequent two to three-month period, borrowers attended a five-day management training program at the WEDP offices.

During the management training, motivational lectures are presented by headquarters staff and government officials; a lecture on business management is given by the local BSCIC official; and WEDP center officers discuss the practical aspects of enterprise management, simple financial accounting, marketing, and the operation of the WEDP program. Resource persons from social welfare, health, and education departments also discuss family planning, child care, health, education, and adult literacy.

Most borrowers reported finding this training helpful, but a few thought it took up too much time. Some women entrepreneurs with established businesses have actually declined a WEDP loan because they could not take the time for this training. Rural borrowers who live far from the center also find it difficult to attend this training, so some extension officers have taken the training to the clients' villages.

The application process includes a number of regulations that usually require a husband's participation, particularly producing a land certificate and obtaining the signatures of local officials on documents attesting to the client's character and residence in the area. A minority of our interviewees managed to get these signatures on their own. A few were forced to pay more than the customary Tk 10 fee to various "assistants" of the officials. Some had to make multiple visits to the official's office or home.

Filling out the loan application form, which asks for projections of monthly revenues, costs, gross margins, loan repayments, and net income, must be done with the assistance of WEDP officers. More problematic is the task of filling out the extremely complex baseline socioeconomic survey (the "Client Profile"), which is currently administered for every loan application. Many women are not able to provide all the details asked for in the "client profile": for example, ages, educational levels, immunization history, main occupations, and part-time occupations of all household members; the values of a wide range of family assets; all sources and amounts of household income; and several categories of monthly expenditures. WEDP officers have not been trained in how to interpret or administer this questionnaire, and each loan officer has to translate it from English into Bangla each time it is used.[11] Any one of these factors would compromise the reliability and comparability of the data it produces. It nonetheless costs at least two hours of each client's time for each loan application, not to mention the same number of hours it takes a WEDP loan officer to help fill out the form.

Although we consider the sum of all these transaction costs to be quite heavy, we heard few complaints from the borrowers. They were not greatly concerned about the time required to apply for a loan, because they consider the WEDP system of bi-monthly group meetings for repayment to be far less "costly" than the weekly meetings required by most other micro-credit programs in Bangladesh. WEDP borrowers all expressed a strong dislike of long weekly meetings.

D3. Interest Rate

The main concern WEDP borrowers expressed was about the high interest rate on WEDP loans. This issue was raised by the borrowers in every interview. Some suggested that unless the interest rate is reduced, they may not borrow again. Most, however, felt that they would bear the interest rate, if need be, to avoid the heavy time costs required by other micro-lending programs. The loss of several hours a week of potential labor time is perceived as a heavier cost than paying a flat 16 percent interest rate. Still, most clients complain that WEDP's interest rate is "too high." This issue on the level of interest rate is, however, also connected to the required up-front savings deposit of 5 percent of the loan, which some clients also complain about. The issues on interest rate are more fully discussed in the main body of the report.

D4. Size of Loans

The size of loans is also an important area of client concern. Effectively, the upper limit on almost all current loans is Tk 10,000, primarily because loans above this size cannot be authorized at the center level. Many clients feel that the requirement for obtaining BSCIC and headquarters approval for loans over Tk 10,000 takes more time than they can afford to be without credit and, therefore, constitutes a serious constraint on their ability to expand their businesses.

D5. The Twice-Monthly Loan Repayment System

A small number of borrowers expressed their preference for a monthly repayment system, especially those who had borrowed under the previous bank-based WEDP program in which monthly repayment was the norm. Most, however, were happy with the 15-day installment system.

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[11] The baseline survey's client profile and it's problems are discussed in Section V of the main body of the evaluation.

D6. Grace Period

A significant number of borrowers want a 30-day delay before their first loan installment is due. One woman remarked, "We don't even have time to invest our money before the first installment must be paid." A few felt the need for a longer grace period, especially those in poultry rearing and other activities that require a period of time before the initial investment can begin producing an income. These women found it very difficult to pay their initial loan installments. Some had to invest less than they would have liked simply to have money on hand for repayments. Others had to borrow from husbands or neighbors.

Some businesses also have serious seasonal problems. Revenues often decline in the rainy season, especially for businesses such as rice husking that require good weather. Clients would like to have the possibility of reducing loan installment payments during the rainy season and then making up the shortfall later in the year.

D7. Compulsory Savings

Borrowers were mixed in their reactions to the compulsory 5 percent savings requirement upon receipt of the loan. Most simply took the 5 percent out of the loan proceeds or borrowed the "savings" money from husbands and immediately repaid it with the loan proceeds. The effect, in any case, was to reduce the amount available for investment. Some found this burdensome, others were happy to be forced to save. Those with considerable financial experience remarked that they were paying 16 percent interest on the 5 percent "saved" but would receive at most 5 percent interest when the savings are returned at the end of the loan period.

D8. Desire for a Voluntary Savings System

In some of the interviews we inquired about clients' possible interest in a voluntary savings system in which WEDP would collect an individual's savings whenever she wanted to make a deposit, and would also provide the possibility for each individual to have access to her savings whenever she wished. This was of interest to a large number of clients because very few, with the exception of a group of weavers, have access to bank accounts. A few women participate in traditional rotating savings and credit schemes, but most simply keep their savings in cash.

E. Summary

E1. Is WEDP Reaching the Intended People? What Are the Characteristics of the People the Project Is Serving?

The Project Paper is not clear about the socioeconomic characteristics of the target group, suggesting only that borrowers should be "women who have significant roles in their businesses" (p. 27).[12] Poverty reduction is also cited a goal in several project documents.

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[12]The only statement in the Project Paper about the income levels of the intended clients is contained in a statement describing "growth-facilitating lending." Here it is asserted that a loan ceiling of Tk 60,000 ($1,500) is "low enough to assure that only those in the poorest 20 percent of the population would borrow" (p. 16). While this statement suggests that the target group is the poorest 20 percent of the population, its assertion that women borrowers from this type of household can afford to take loans up to $1,500 is highly unreasonable. The 1995 rural poverty study found that 22 percent of the rural population have annual household incomes below $554 and that 52 percent have incomes below $950. Clearly, no woman could take the risk of repaying a loan that was even near,

We assume that the project intends to target primarily women entrepreneurs from the 50 percent of the population that is below the poverty line. However, because the Project Paper urges the expansion of so-called "growth-facilitating loans" of Tk 10,000-60,000, and because we doubt that women from households with annual incomes below the poverty line (Tk 40,000 for a family of six) can manage loans of over Tk 20-30,000, we assume that the project also intends to reach some households that are of modest income but above the poverty line.

In fact, this is what we found. About 25 percent of borrowers appear to be extremely poor, 50 percent moderately poor, and 25 percent somewhat above the poverty line. Fifty-eight percent are illiterate, but more than 10 percent have some secondary education or even higher education. The educational level of clients is far higher today than in 1989 when the evaluation survey found that 78 percent of clients were illiterate. This change undoubtedly reflects the higher educational level of peri-urban clients, but it may also reflect a shift in clients from the very poor to the nonpoor and moderately poor.

There may also have been a shift in the share of unmarried women being served by the program. The 1989 survey found 15 percent of clients were divorced or abandoned, but we found less than 3 percent. This implies that a large group of women who are likely to be very poor are not being served to the extent that they were in 1989.

E2. What Are the Qualitative and Quantitative Impacts on the Clients and their Households?

WEDP has had a positive impact on both women's enterprise and household incomes. About 20 percent of the borrowers interviewed said that their earnings now make a major contribution to household income. Many reported that there is less tension in their households because there is less financial strife, better food, and a greater ability to meet their children's educational expenses.

Several women said that they no longer need to borrow from neighbors or money-lenders to finance their businesses or to meet household expenses. A few have been able to increase their personal savings. In fact, for many of them, the savings facility offered by WEDP has enabled them to start a savings deposit account that continuously grows with the regular bi-weekly deposit of Tk 10.

WEDP's most significant impact in employment creation has been the creation or expansion of borrowers' own self-employment. Twenty-five percent of borrowers used their loans to create new employment for themselves, while 64 percent reported expanding their businesses. Sixty percent of borrowers work full time in their business. Thirty-one percent work part time. Only 9 percent diverted their loans to a husband's or a son's business in which the client takes no part.

Employment creation for family members has been modest, but a few women now employ their siblings. Most get only part-time help from husbands, often only a few hours a week. Children also help out a few hours a week.

Paid employment creation for nonfamily members has also been modest. We found 0.4 paid jobs created per current borrower since the receipt of the first loan. This figure is higher than that achieved in the TRDEP micro-credit scheme, but lower than that reported for BRAC. Nearly half of the hired workers are children aged 8 to 14.

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much less over, the annual income of her entire household.

WEDP has had a major positive impact on women's entrepreneurship and decision-making abilities. Well over a third of WEDP borrowers manage their businesses entirely on their own and another 22 percent manage their businesses jointly with their husbands. An even larger group, 58 percent of respondents, report that they alone control the income from their businesses. Nearly all clients reported that their status in their households has improved since they began taking WEDP loans. Many also cited an improved status in the community.

E3. What Is the Likely Continued Impact of the WEDP Program Over the Rest of the Project Period and Beyond?

We expect that current clients will continue to benefit from the program as they have in the past. There are, however, several factors constraining the efficient expansion of the program.

First, certain regulations are preventing the program from reaching a significant share of very poor women, a category of borrower who is likely to be highly motivated to repay her loan promptly so that she can maintain her access to the credit she so desperately needs. The regulation requiring that borrowers produce a certificate proving ownership of their homes keeps out poor women migrants and renters. The regulation requiring the signature of a male guardian on the loan application form discourages or excludes divorced or abandoned women.

Second, the low limit on the loan size that can be approved by extension officers at the center is preventing the program from assisting successful women entrepreneurs with proven credit-worthiness from expanding their businesses.

Third, other forms of excessive paperwork required for each loan application, such as translating and filling out the long baseline survey questionnaire which contains unnecessarily complex questions that most clients are incapable of answering, are restraining the efficiency of the center staff. The loan application form could also be simplified. (See the main body of the report for a fuller discussion and for recommendations.)

E4. To What Extent Is the Project Purpose Being Achieved As Envisioned in the Design?

The project purpose is to increase women's participation in and benefits from viable businesses in the informal sector. This purpose is being achieved for current clients. In our opinion, however, it can be achieved more efficiently and for far more clients.

The best center personnel are making impressive efforts to assist clients in obtaining both knowledge and practical experience in improved business management and accounting practices. If all centers are to regularly assist clients with the development their entrepreneurship skills, headquarters needs to develop methods by which center staff can freely exchange ideas about practical methods for meeting the training needs of different types of clients.

This type of client "training" does not take place in formal lectures, but in one-to-one discussions between staff members and borrowers about business financing, goals, and practices. Center staff, however, cannot be expected to simply "know" how to assist all types of clients in all types of businesses. They can, however, learn from each others' experiences and from the experiences of other micro-credit programs, especially if they feel free to discuss the problems they are having in assisting different types of clients.

If WEDP chooses to increase its effective focus on women's entrepreneurship, we recommend that it begin to develop a series of problem-solving workshops for the extension officers, assistant extension officers, and field assistants from three or four centers in a particular region. These workshops could be led by a team of experienced extension officers who have proven abilities in assisting clients develop entrepreneurship skills. In order to facilitate the exchange of experiences and an open discussion of problems during these workshops, headquarters personnel must assure center staff that they will not be judged negatively or penalized in any way if they openly discuss the problems they are having.

E5. Is the Purpose As Identified in the Design Appropriate As a Strategy for Poverty Reduction in Bangladesh?

The purpose is appropriate as a strategy for poverty reduction as long as the WEDP program continues to focus on identifying potential women entrepreneurs from among the poor, including the extremely poor. The need to expand the program and the desire to promote larger loans should not be allowed to foster a refocusing of the program on the nonpoor.

Our data on the level of wages generated in WEDP-funded businesses, even in the larger family businesses that hired adults as well as teenagers and children, showed that even two adults working at the average wage of about Tk 40 ($1.00) a day could barely bring the average-sized family up to the level of extreme poverty, that is, an income that could provide only 85 percent of family members' caloric needs. Thus, relying on employment generation from the larger loans granted to nonpoor clients as a poverty-alleviating strategy may be far less effective than focusing on assisting extremely poor women create employment for themselves.

Although very poor women will need to start with quite small loans, for example, Tk 3,000-4,000, they can be helped to expand their businesses. Those who succeed, including the moderately poor who may start with larger loans, should be the major target for larger loans. Loans above Tk 10,000, for example, should be granted primarily to current borrowers who have already proved their creditworthiness with the program.

The impact assessment found that some 20 percent of borrowers, all of whom we classified as extremely poor, are now making a major contribution to their households' incomes. Moderately poor women also reported significant improvements in their abilities to educate their children and to feed them more nutritious food as major benefits of their WEDP loans. Overall, we feel that the evidence points to a significant achievement in poverty reduction, especially for repeat loan recipients.

The loan recovery rate under WEDP's new direct lending program approaches 100 percent for the extreme poor, moderate poor, and nonpoor borrower alike. This level of recovery reflects the close rapport developed by WEDP staff with the borrowers, one of the major, if not the major, strengths of the program.

We are confident that as WEDP makes the institutional changes necessary to increase its efficiency, it can both expand its services to many more poor women and cover its own administrative expenses without sacrificing either its purpose of increasing women's entrepreneurship skills and benefits from managing viable businesses in the informal sector or its considerable achievements to date in alleviating poverty.

F. Recommendations

If WEDP wants to build on its strengths and to build up its market niche in assisting poor women to develop entrepreneurship skills and to start and expand women-controlled businesses, we feel that the following steps will be necessary:

1. Improve the ability to serve more poor women whom the center staff and the members of their loan group judge creditworthy by changing the formal loan eligibility requirements. Specifically, WEDP should consider:

    - Dropping the requirement that clients have a land certificate proving that they own a home;

    - Dropping the requirement that the signatures of local officials be obtained; and

    - Dropping the requirement that a single woman have the signature of a male guardian or guarantor.

2. Increase its portfolio of larger loans by:

    - Authorizing extension officers at the centers that have remarkable performance to approve loans of up to Tk 20,000 or Tk 25,000;

    - Authorizing extension officers to grant grace periods to borrowers in businesses which require a gestation period before the investment produces income; and

    - Extending the great majority of larger loans to current women clients who are poor, but have proven entrepreneurial capacities, creditworthiness, and an interest in expanding their businesses or creating new businesses.

3. Support the ability of center staff to foster women's entrepreneurship by:

    - Providing additional practical training to all center staff, including field assistants, on how to help borrowers develop business management and accounting skills; and

    - Providing for regular meetings of center staff at regional workshops for the informal discussion of problems encountered in assisting clients with business management and entrepreneurship skills.

ANNEX F
BUSINESS PROFILES

The business profiles presented here are intended to give a flavor of the types of microenterprise undertaken by WEDP borrowers from different income groups.

A. Small Variety Shops or "Groceries"

Fourteen of the borrowers we interviewed have invested in groceries, or small variety shops attached to or located near a woman's home. Husbands are commonly involved in the business—several full time, and some only as purchasers of inputs. Groceries have often operated for many years before the wife began taking WEDP loans.

Asia, a WEDP client, and Asia's "market" are exceptions. Asia was an agricultural wage laborer before taking her first of three WEDP loans. Her husband collects fuel from the hills, marketing it for a very modest return. From this impoverished status, Asia managed to construct and stock a small shop with her first Tk 5,000 WEDP loan. Her success has been rapid and highly impressive. With her third loan of Tk 10,000, Asia expanded the shop to two rooms, one of which has become a restaurant operated by her brother.

B. Puffed Rice, or "Muri Making"

Muri making can be undertaken by very poor women. It requires only a large pot costing about $25, firewood, oil for cooking, woven baskets, and large plastic sacks for storing the puffed rice until the buyer arrives. In this highly labor-intensive process, three women (or girls) work at the same time, one stirring the hot oil while "puffing" the rice, another stoking the fire, and the third gathering and storing the output. By the time she has taken several WEDP loans, a muri maker is commonly employing two to three other women full time. Beginners tend to employ their daughters or sisters.

Nurzahan, a widow, worked as an agricultural wage laborer before obtaining her first loan of Tk 3,000. Two years later, with a second loan of Tk 5,000, she has two pots and employs four women full time. Her two daughters also help on a full-time basis. Among the benefits of her loans the most important to Nurzahan is her new found social status. "Today," she says, "I am respected. As a day laborer, I was despised."

C. The Pottery Makers

Pottery making is a long-established family business for the first group of six potters interviewed. The work is undertaken for a single buyer, who sets the design and purchases 500 to 1,500 hand-molded shallow bowls a week from each household. The potters are satisfied with the price they are paid; it is said to increase when the price of fuel goes up. The buyer may also advance money for materials from time to time. Husbands are involved daily in working the clay, and weekly in gathering it. A widow relies on her son for these male tasks. Forming the bowls and coloring and firing them is women's work.

Two WEDP loans (the first for Tk 3,000 and the second for Tk 5,000) have allowed five of the six women potters to expand their businesses by hiring 19 full-time workers. Thirteen of these

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workers are 10-14 years old. Three other adult family members work full time and eight school-aged daughters help part time. Two women said that a major benefit of the loan was to allow them to put their daughters in school, rather than using them full time in the business.

Three women control their own incomes, giving some of it to their husbands who help by gathering and working the clay. The husbands of two of the potters control their incomes, whereas one woman says that either she or her husband may take the payment from the buyer. These are quite poor families for whom the loan and the increased income it has generated have resulted in better diets; improved housing; and, for one, investment in poultry and a cow. For a second group of potters, women are not the main producers. Men only use the potters wheels to throw the large clay pots used for water carrying. In these families, women are mere helpers; men control the family business. Only one of the five women interviewed said that she made joint decisions about business management with her husband. The others seemed to share the attitude of Shamoli who asked, "Why do I need to know about the financing or management of the business?"

D. The Weavers

Weaving the red and green plaid towels found in many Bangladeshi homes is a woman's job. Laili and the other weavers in her group have received two loans, the first for Tk 6,000 and the second for Tk 10,000. Most already had the large wooden looms that have been in their families for generations. They used their loans to purchase the shuttles that need replacement every year and, of course, supplies of thread. The weavers don't employ any hired labor, but their children help out after school.

Marketing can be a problem, especially during the rainy season when customers have very little money. Most of the weavers' husbands are cloth traders, so they do the marketing for their wives. All the women said, however, that they receive the income. They also said that each one has her own account in a local bank. This was the only group to make such a claim, but the weavers do indeed appear to be quite prosperous.

However, since we were told that the net earnings for six hours of weaving is only Tk 12, we were left to wonder if this prosperity is a result of the weavers' own earnings or their husbands' earnings. In fact, by the end of the interview we began to suspect that a large portion of the loan proceeds may have been diverted into alternative assets, especially when one woman, who shall remain nameless, remarked that she had built a house with the proceeds of her second loan.

E. Rice Husking

Rice husking is an extremely flexible business. A woman can process only a small amount of rice using only her own labor or she can expand the business into a large operation employing several workers. Poor women can begin with this business, and if they have a good entrepreneurial sense, can move out of poverty with it.

Kohinur provided details on her weekly activities and business accounts. She obtained a loan for Tk 5,000. To this sum she added her own capital of Tk 5,000 to meet her production costs. She purchases Tk 7,500 worth of paddy (1,250 kilos), boils it, and then takes it to dry on a large concrete drying floor which Kohinur pays Tk 500 to rent for two or three days. The drying process requires hired labor. Kohinur pays two or three persons Tk 40 a day to continually move the paddy around to hasten the drying. Her total cost for drying labor is Tk 360. The dried rice is then transported to the mill for Tk 25 and milled into 875 kg. of rice at a cost of Tk 300. Kohinur then pays another Tk 25 to

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have the milled rice taken to the bazaar where her husband and one worker spend two to three days selling it. The cost of a hired worker at this stage is Tk 120.

When all goes well, the rice is sold at Tk 11 a kilo, giving Kohinur a gross revenue of Tk 9,625. Deducting her costs of Tk 8,810, Kohinur and her husband receive a gross margin of Tk 815 for a week of work. Installment payments on the loan are about Tk 500 a month, so even if Kohinur only husks paddy for three weeks a month, she can make a decent income.

Indeed, the WEDP staff members consider rice husking one of the more profitable businesses they fund. It is not for everyone, however. One fledgling entrepreneur told us that she had taken out a loan for rice husking, but when her first try resulted in a loss, she gave up and passed the remaining loan proceeds on to her son.

F. Tailoring and Embroidery

After a woman learns how to sew, a WEDP loan can help her buy a sewing machine and some cloth, and she is in business. The WEDP-sponsored three-month training courses in tailoring are very popular. If a person has talent, she can make a decent living in this trade.

Tailoring is another business that can be pursued on a small or large scale. It can also be pursued by either men or women. Some clients' husbands who are tailors employ 10 or more workers. Women who combine tailoring with embroidery of women's garments may also employ several girls or women.

Hasina lives in a house made of concrete and has two sewing machines and a television. She employs 20 to 25 young women as apprentices in embroidery and runs a "mini garment" business. She also has four to five workers employed full time on a monthly wage basis. The apprentices earn about Tk 500 a month and the regular workers earn Tk 1,500 and up. Wages are actually paid on a piece work basis.

Hasina began her business three years ago. She travels to Chittagong to buy her own material and sells her output in her husband's shop in an up-scale neighborhood in Dhaka. Six months ago she received her first WEDP loan for Tk 10,000 and has already paid it off, thereby establishing an excellent credit record. She has now applied for a Tk 30,000 loan. Her application has been sent to headquarters. Hasina is among the new group of "growth-facilitating" borrowers WEDP is increasingly seeking.

G. Cow Rearing

Cow rearing for milk is also considered a fairly lucrative business, but it demands a considerable investment in two or three cows before it becomes a regular source of income. This is because cows produce milk for only six to nine months after calving, then cease milk production when pregnant. Thus, to have a continual source of income, a woman must have at least two cows. Good local cows cost Tk 7,000-10,000.

It is nearly impossible to begin cow rearing with the typical first WEDP loan of Tk 4,000-5,000, so a poor woman may have to begin by rearing and selling goats or poultry to build up her capital while she repays her first loan and establishes her creditworthiness.

Cows in Bangladesh are primarily stall fed, requiring a woman and/or her husband to spend an hour a day cutting and bringing grass. Many WEDP clients end up purchasing grass if their husbands cannot help out. The total labor time needed to rear one or two cows is only about two or three hours a day.

Cow rearing may become lucrative, but it is also risky. If a cow dies, the borrower faces a considerable loss. It is, however, still a very popular investment for clients who are moderately poor, and also for those above the poverty line who can afford to take up a risky business that is not too demanding of their labor.

ANNEX G
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ANNEX H
CASE STUDIES

A. Case Study One

Salma Khatun, aged about 45, from the well-known village of Jobra (where Grameen Bank was born in 1978) under Hathazari, Chittagong, is the owner of a broom-making enterprise with an estimated net worth of Tk 50,000. She has an outstanding WEDP loan balance of Tk 15,000 (from a loan of Tk 20,000). This is her fourth loan. She began this broom-making business in 1992 with a loan of Tk 4,500 from WEDP. Prior to that, she was a wage laborer in broom making.

Salma was brought up in a poor family by her parents Nurul Islam and Mariam. At the age of 14, she was married to Abdul Gani, a temporary wage laborer in the jute mill. Salma's financial condition remained a condition of hardship, because Abdul Gani was also poor. Salma and her four children were abandoned by her husband in the tenth year of her marriage. She started her own war for survival in Nurul Islam's shelter with her three sons and one daughter. She was a skilled broom maker and worked on a daily wage basis for a long time. In this way, she earned her bread for the family of five persons, which barely allowed them to eat one meal a day. Her eldest son, now aged about 26 years, would sometimes find work as an irregular farm laborer and would supplement the family income. This would help them to have more food, but they always remained in economic hardship.

Salma always dreamt of financial solvency for the family and looked for some hardworking initiative. Her prolonged hardship and an attitude of fighting against a poverty-driven socioeconomic situation led her to search out ways and means to improve her family's financial condition. This came true when she met Ms. Bhanoo of Hathazari WEDP through one of her neighbors. Salma was inspired by the WEDP client's success stories and expressed her willingness to become a WEDP client. She was successful in fulfilling WEDP requirements and received her first loan of Tk 4,500 in early February 1992 to start her own broom-making enterprise. Her eldest son joined her in the business. This venture proved successful to the family and gave Salma the long-cherished fortune and with financial solvency. With an increased amount of the successive loans, she has established herself as a very distinguished WEDP client and a successful entrepreneur.

Salma and her daughter-in-law work full time in the broom-making enterprise. They call it a factory. Her eldest son works full time in procurement of raw materials and marketing. Apart from part-time services rendered by her school-going children, three other female workers are engaged on a full-time basis in this factory. They now purchase the raw materials in truck loads (bulk) from Rangamati. Most of the supplies are purchased at the factory site. The factory claims to purchase only wholesale. It sometimes extends credit to its permanent customers. Salma mentioned an average amount of Tk 10,000 as collectibles. Salma makes all the decisions. Supplies are procured under her instructions with regard to quantity, rate, quality, and timing. She also decides the volume of sales and price. Salma bargains the price with the customer and receives the cash. She knows some accounting.

Many changes occurred gradually in Salma's family and enterprise life. With a steady flow of income, the family now has three regular meals a day. The tube-well water has become the current source of drinking water. At present, the family uses a pit-latrine. Her youngest son and the only daughter are enrolled in school. Family members now receive medical treatment by doctors when it is needed. Salma is quite happy with her house which was built during the last two years. It has two rooms separated by a wall made out of cane and bamboo works. The house is built with clay walls and the roof is made of bamboo and cane and covered with hatch and sticks. The house has an electricity connection, and the family now has a radio-cassette recorder, a wall clock, and some furniture. Salma's eldest son was married three years ago and has a one and one-half year-old son. The family celebrated the first birthday of the child last June, when they invited friends and relations for dinner.

Salma feels quite comfortable with her expenses for basic needs such as food, clothes, shelter, education of children, and health. The total expenditure on various items of essentials has increased gradually. Selma estimates that expenditures on essential items during the past 12 months reached about Tk 50,000. The family is now able to manage unforeseen expenses caused by serious illness, theft, a lean season, and other periods of natural calamity. Salma also feels that the family is now socially respected in the entire village.

Salma has always been very regular in making her installment payments. She wants to make her enterprise self-sustainable without credit assistance. The family is working very hard to remove poverty from their lives, and claim to now understand the ways and means to do it.

B. Case Study Two

Kariman has been in her grocery business since early 1995. She is one of the graduated WEDP borrowers, and has a current outstanding balance of Tk 25,000, on a loan of Tk 30,000. This is her fourth loan.

Kariman is in her early forties. Her husband Shahid Master is also involved in this business on a full-time basis. Shahid Master was an industrial worker before joining the family business. They have four daughters, two of whom are married.

Kariman is from the village Noapara under Rupganj thana of Narayanganj District. Noapara village is adjacent to the Demra industrial belt and consequently has a peri-urban set up. People in this village are, by and large, involved in some kind of industrial activities. Weaving is a favorite trade in this locality, and the Jamdani saree is the famous product of this area.

Kariman was involved in manufacturing the Jamdani saree for a long time. She had her own looms for weaving sarees, although that was not her profession nor her business. There was no serious economic pressure for supplementing the family income from her weaving business until recently when her husband left his job and the situation had become critical for the family. Kariman had never considered the proper maintenance of her looms or their replacement. When the need arose, she found that her domestic factory was nonoperational. The supplementary income source came to a halt when Kariman realized more than ever before the necessity of running the business. She began searching for a way to renovate her factory. She became aware of WEDP assistance from her interaction with WEDP field staff in her locality. She discussed the matter of taking a loan with her husband, who reluctantly gave his consent. Kariman submitted her application to the WEDP Rupganj center for a loan of Tk 10,000 for the purchase of new looms and raw materials. She qualified for a loan under the WEDP scheme and received a loan of Tk 8,000 from the Bangladesh Krishi Bank. She restarted her Jamdani factory in 1993. The loan was repaid with interest in 10 months, and she received another loan of Tk 10,000 within a month.

Kariman, two of her unmarried daughters, and two other salaried women used to work full time in this factory. Kariman used to receive the yarn supply at her door step through agents. The sarees also were marketed through agents from the door steps, so she did not have to make special efforts to procure raw materials and selling the output. Shahid Master engaged himself in family cultivation during this period, but it didn't work well with him.

Kariman has been quite successful in her factory and was earning steadily for the maintenance of family expenditures. She has also been able to repay the WEDP loan with interest in less than eight months from the savings of factory income. She discovered that the weaving business is now sustainable without loan assistance. She then decided to organize another business for her husband without causing any hardship for her weaving business and family income. She discussed the matter with WEDP staff and expressed her desire to receive a higher amount of loan for starting a grocery shop in the nearby market that would be run by her husband. She was able to get a loan of Tk 20,000 from the Bangladesh Krishi Bank in June 1995 to start the grocery shop in a rented house at Tarabo bazaar. She repaid the loan with interest in March 1996. She became a direct lending borrower of the WEDP Rupganj Center, and received a loan of Tk 30,000 in May 1996.

Kariman makes all the decisions with regard to the management and operation of Jamdani factory. She has reported being consulted by her husband in major decisions for the grocery business. She makes all the expenditure decisions for the family.

Total regular and irregular expenditures for the family during the period when Shahid Masters had a salaried income was approximately Tk 40,000 per anum, although it has been increased in the last three years to Tk 75,000. Expenditures increased significantly for basic needs, such as food, clothing, health, education, and so forth. Apart from basic needs expenditures, occasional expenses such as for the marriage of their second daughter; renovation of house with brick wall and tin roof; construction of sanitary latrine; and purchase of fan, television, and so forth have also increased significantly during the last two years.

The increased purchasing capacity has become possible as a result of careful implementation of IGP the life-centered education that Kariman received from WEDP. Kariman is very serious about the payment of her bi-weekly installment. The family is leading a very simple but balanced life. Family members are concerned about of remaining solvent in the future, and they all work hard through combined efforts to maintain their financial solvency.

C. Case Study Three

Nurunnahar Sufia lives with her family—widow sister, brother, and son—in a reasonably good rented house in the village Satgram under Savar thana in Dhaka District. The house is about 8 meters long and 4 meters wide. It has a good floor made out of clay mixed with cow dung, and walls made out of cane and bamboo. The roof is covered with hatch and bamboo sticks. There are two rooms in the house separated by a cane-mate partition. Sufia occupies the left corner room of the house measuring about 2 by 3 meters. A cot is placed in the room, which occupies more than half of the total room space, and the bed is covered with a handmade cotton mat.

Some handmade small round-shaped benches have been placed in the area for guests. We had our discussion in this room with Sufia about her life, business, and the future.

Sufia is in the cow-rearing business with a loan from WEDP, Savar. She now has four milking cows and two calves.

Sufia is the third of her six children in a very poor family. Two of her sisters died in their infancy. Sufia and three of her brothers survived. The brother staying with her is the youngest, aged about 14, and helps her in caring for the cows and in milking them. The other two brothers stay at Narayangang with their own family. Her only surviving sister became a widow four years ago and stays with her because she does not have any children. Sufia's nine-year-old son lives with her, because Sufia was abandoned by her husband before the birth of this child.

Recalling from childhood memories, Sufia said her father worked on a daily labor basis, so that the children did not have the opportunity to go to school. Since she was very young, Sufia had to work as a maid on a monthly basis. The income she received was very low and often the family did not even eat two meals a day. When Sufia was 12 years old, she was married to Rahmat Ali, a security guard at Dhaka, who was 20 years her senior. Her husband was not often a part of her family life, and two years later he left. Sufia was pregnant at the time. She tried to find out why her husband left her and tirelessly searched for him at Dhaka only to discover that he had been married previously and had a wife and children from the first marriage. Sufia felt terribly frustrated and not knowing what to do accepted the offer to serve as a maid in a family at Dhaka. Her son was born in that family during her maidservantship.

Sufia has been involved with the WEDP through her master, who was the relative of the landlord of the WEDP office in Savar and owned a piece of land in Savar. They were looking for someone to take care of the land, and Sufia was offered the job of looking after it. She was also advised to approach WEDP for a loan so that she could start some income-generating activities. She accepted the responsibility and migrated to Savar with a reference for a WEDP loan. She was greatly inspired by the success stories of the WEDP clients in and around her neighborhood. Sufia found herself in the midst of her inherent dream of earning her own bread from a respectable business or trade, owning a piece of land and a house, and having financial solvency.

Sufia met the WEDP officer at Savar center. She received her first loan to buy a cow for Tk 6,000. She wanted to start a grocery shop at the Savar bazaar and applied for a loan of Tk 10,000, but neither the WEDP nor the Krishi Bank agreed to approve her idea. Because she had a large piece of land to supervise, she was encouraged to rear cows for milking and she found this profession suitable.

Sufia purchased her first cow in March 1987, which produced a calf and milk for sale. She began producing vegetables and fruits and making mats and cane baskets. She also began a small poultry-raising operation. All these ventures proved very successful and Sufia continued expanding her income-generating activities. She brought her sister and brother to stay with her and help her in earning for the family.

She learned methods of survival, developed confidence, and earned respect as a professional. As she felt more secure, she decided to divorce her husband. When he was notified by a lawyer, Rahmat Ali came back to her and tried to live with her again. Sufia did not accept him because she now knew that she could live alone.

Sufia purchased, with the income and savings from the cow-rearing business, a piece of land measuring 15 x 18 meters adjacent to her master's land. She is trying to build her own house on that land. She has an outstanding balance of Tk 12,000 with WEDP on her fifth loan of Tk 20,000. Sufia bought cows with each successive loan and she increased the number of cows from one to six, at present. She has always been a good borrower, and has repaid all her previous loans in due time with interest.

Sufia acknowledges with a deep sense of gratitude the support of WEDP in modeling her life. She feels very comfortable with her present economic and social status.

D. Case Study Four

Nisamun Begum (36) lives in the village Ghoshpara, Naohata. She is a borrower of WEDP at the Poba center, and has a weaving enterprise. In June 1995, Nisamun received a loan of Tk 10,000 for the purchase of five looms and yarn. Apart from weaving, she has a business of rice husking and cows and goats rearing. As of November 1996, Nisamun had an outstanding loan balance of Tk 8,000, from her second loan of Tk 10,000 received in August 1996.

Nisamun dreams of a solvent life. She was the fourth of her parent's eight children, and grew up as an adopted daughter because her parents were too poor to nourish and raise her. But Nisamun could not escape from poverty because she was adopted by another poor family. She now lives with her husband, Nesar Ali, a fruit and vegetable trader. This is her second marriage; they have three daughters and a son. Marium, Nisamun's mother-in-law, also lives with them since the death of Nesar Ali's father in 1993. They live in their own semi-pucca house built only last year.

Nisamun has been earning bread since her childhood. She was a child maid in a neighboring family for a couple of years. She used to look after the children of her master for two meals a day and old clothes, but received no cash. Subsequently, she used to receive a nominal salary, which was taken by her adopted parents. She sometimes would get cash as a gift which she shared with her own parents.

At the age of 14, Nasamun was married to an old and sick man of more than 60 years of age, who had a previous wife, children, and grand children. She was taken there as a free maid servant in a big family of 10-12 persons to look after the abandoned old man. She never had the feeling of married family life from this marriage. She was thrown out of the family as soon as the husband died, within two and half years of her marriage.

Nasamun started her independent life with a daily wage job of brick crushing. She used to stay with one equally poverty-driven friend. She realized then that life is possible without support from a guardian and as she went on, she discovered newer and newer ways and means of survival. She changed jobs frequently, working as a skilled laborer in rice-husking, weaving, and so on. She was one of the group members that established a weaving factory with credit received from a cooperative society (she couldn't name it). She met Nesar Ali in the group.

She decided to marry Nesar Ali, and after their marriage almost 10 years ago they left the group and established their own business. Nisamun began with rice husking and Nesar Ali organized a grocery shop in the village. But Nesar sustained a huge loss in four years, which also affected Nisamun's rice-husking business. In the meantime, the family had expanded. Nasimum had given birth to two daughters and was pregnant with a third child. She still continued with her business but the family fell into severe financial crisis. The frequency of their meals had been reduced to two and sometimes even one. She sent her daughters to babysit for a relative instead of sending them to school.

Nisamun, at this sinking condition of the family, became a member of the BRAC group and started her weaving business with two looms purchased with a loan of Tk 5,000 in 1992. Nisamun's previous experience helped her to become very successful in this business. She was able to earn a steady income to meet the annual family expenses ranging from Tk 36,000 to Tk 40,000. She also continued her rice husking. Nesar Ali, two of her eldest daughters, and one salaried woman were engaged almost full time in the weaving and rice-husking business. She paid all the installments in due time with interest. But she did not ask for any further loan, as she did not like the weekly meeting of BRAC groups or the weekly installment payment system. It required too much of her time and energy. She didn't like the condition of group liability for defaulter member(s). Nisamun was looking for alternatives, and considers her meeting with Ms. Rebati Rani, WEDP Extension Officer at Poba, during a credit promotion dialogue, a God-sent blessing to her family.

Nisamun liked the WEDP approach with regard to individual loans, larger loan size, and a biweekly payment system. Nasimun was also impressed by the personalized service along with business advice of the WEDP staff. She applied for a loan of Tk 10,000 to have her weaving factory expanded. She was able to trade in her two old looms and purchase five new looms with the WEDP loan. She has repaid the loan with interest in due time and received a second loan of Tk 10,000.

Nisamun purchased a piece of land measuring 20 x 20 meters from the savings and a portion of the previous loan. She constructed a semi-pucca house and a pit latrine on this land, and used some loan funds for the purchase of building materials. The family has also acquired some furniture and a radio.

Nisamun and her husband are quite happy with their family's current financial status. Nesar Ali contributes about Tk 25,000 annually toward the family expenses. They now have three regular meals a day with fish or meat two or three times a week. They are now able to afford regular consumables during lean periods or other periods of natural or political disaster. They now receive necessary medical treatment from private doctors. Two of their younger children are enrolled in school. Nisamun and her husband feel that the family now enjoys social respect and honor.

ANNEX I
LIST OF MICROSERVE PUBLICATIONS

1. "Microfinance Training Course Evaluation and Completion Report," April 19, 1996.

2. "Assessment of Microenterprise Support Institutions for USAID Sri Lanka: The Micro Enterprise Support Activity," by Cary Wingfield Raditz, June 25, 1996.

3. "Microfinance Workshop for the West Bank and Gaza Completion Report," by Dale W. Adams and Fernando Cruz-Villalba, July 29, 1996.

4. "Evaluación de la Propuesta de Constitución del Fondo Financiero Privado para el Fomento de Iniciativas Económicas," by Miguel A. Rivarola, October 1996.

5. "Evaluación y Análisis de la Foundación para la Producción (FundaPro)," by Mario Dávalos, October 1996.

6. "Consideration of a Merger between the Sartawi Foundation and the Agrocapital Foundation," by Ken L. Peoples, November 1996. (Also available in Spanish.)

7. "Women's Enterprise Development Project: Mid-Term Evaluation Report," by Meliza H. Agabin, Jeanne Koopman, and Harunur Rashid, December 1996.