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**WOMEN'S PARTICIPATION IN PROGRESO:
A MICROENTERPRISE CREDIT PROGRAM REACHING THE SMALLEST
BUSINESSES OF THE POOR IN LIMA, PERU**

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FOREWORD

The entire staff of Accion Comunitaria del Peru, the private non-governmental organization in Lima sponsoring PROGRESO's microenterprise project, was most gracious in extending its help during the field work period of this evaluation. Julia Flores was particularly insightful in the design of questionnaire emphases and in facilitating *encuestas participacion* (participatory interviews) with groups of PROGRESO beneficiaries. Guillermo Fernandez contributed importantly to this evaluation with methodological advice and a great deal of data about beneficiaries' businesses that he and his research team had collected in the autumn of 1983. Finally, Marjorie Gutierrez's assistance was indispensable in conducting interviews and in coding and compiling data. PROGRESO staff members were equally generous, sharing both their time and critical perspectives about the program's successes and shortcomings. Special thanks are due Bill Tucker, PROGRESO's AITEC advisor, and to Sr. Jose Orderique, PROGRESO Director, whose deep commitment and insight into the life of his community facilitated every aspect of this work.

EXECUTIVE SUMMARY

Between November 1982 and May 1984, PROGRESO has assisted 446 microbusiness owners in Lima's **pueblos juvenes** (lit. "young towns"—poor barrios on the outskirts of the city) with working capital loans averaging \$655 to expand production in shoe and furniture manufacture, metalsmithing, handcrafts, food and clothing production. Another 700 local market vendors have increased their inventory and sales with loans (averaging \$163) administered through 5-member credit guarantee groups. As soon as these business owners pay off their first loans, they are eligible to receive their second and successive loans. With this effective incentive for loan payment, PROGRESO's repayment rates¹ have been high—82.6% for the microenterprises² and 96.5% for the market vendors' groups.

Given Peru's soaring annual inflation rate of 120%, PROGRESO participants' success in managing to actually increase their incomes (by an average of 25% for microbusinesses and 28% for market vendors) is encouraging. In addition, an average of one new employee per microbusiness has been created.

Overall program costs per loan are \$58 for the microenterprise loans and \$32 for the vendors' loans. Staff costs made up between 1% and 2% of the total amount loaned in the first quarter of 1984. Program costs (including administrative, overhead, and the loan portfolio itself) per new job created is \$512. For the first quarter of 1984, self-sufficiency (income/expenses X 100) was 65.5% for the vendors' component.³ Increased self-sufficiency

¹By "repayment rates", we refer to on-time loan payments. Actual recuperation rates (including late payments) are much higher—averaging 99%. Repayment rates are calculated according to the following formula: total amount of loan payments due (unpaid)/portfolio (loans disbursed) = % unrecuperated.

²This was the average repayment rate until April 1984; by late May 1984, the rate had dropped to 75-80%.

³In the first quarter of 1984, only 39 microenterprise loans were administered due to the restructuring of this project component; therefore, we were unable to determine that component's self-sufficiency ratio.

is projected as more technical assistance and interest income is realized.

This report summarizes constraints women face in obtaining credit and ACP's approach to microenterprise development in two methodological components--the credit group for market vendors and individual microenterprise development loans. PROGRESO's approach to technical assistance and overall project results are presented in conjunction with the following specific project outcomes for women: income levels, business practices, and borrowing patterns. Finally, strengths and weaknesses in PROGRESO's design, administration, and mechanisms for beneficiary participation are analyzed. Based on a view that the project's specific impacts upon women almost invariably also affect male participants, many of the report's observations and recommendations are generalized, reflecting problems or benefits for both men and women. In reporting both evaluation and program strategies, particular attention is paid to process: how participation and dialogue develop in PROGRESO meetings, what beneficiaries say they experience as participants, or how the credit groups replicate some effective characteristics of local organization. Review of the processes involved in project participation, however summary, is influenced by and contributes to our understanding of women's role in development. Attention to the local program context, which appears in appendix form in this report, also helps to clarify project goals, limitations, and impact. Although process and context each affect male as well as female beneficiaries, the special concern for integrating women into development strategies has pushed these two aspects of project methodology to the forefront of evaluation and research.

In summary, PROGRESO's effectiveness in reaching women as well as men in Lima's Southern Cone demonstrates that informal sector businesses can benefit from small amounts of credit administered in a community-based setting. PROGRESO's strength is its efficiency in reaching large numbers with minimal staff expenses while maintaining regular contact with clients through beneficiary meetings.

The program's unrealized potential lies in:

- increasing self-sufficiency through technical assistance and interest income,
- strengthening its technical assistance services,
- structuring participatory mechanisms more formally,
- referring beneficiaries to local educational or vocational training opportunities,
- tightening the organization of staff functions.

ACP's plan to offer management training courses throughout Lima and to contract **capacitacion** ('training') services for women promise to strengthen its weaker areas.

Recent innovative elements of PROGRESO's methodology (six-month repayment periods, required technical assistance, higher interest rates) have yet to be evaluated but should be closely monitored for effects on clients' businesses and repayment patterns.

Its most important assets are ACP's continued willingness to experiment with methodologies, and its demonstrated commitment to community-based solutions.

Recommendations intended to strengthen women's participation in PROGRESO include:

- 1) Through women's technical assistance contract, establish referral services for women's vocational education and popular education (including popular business education) services;
- 2) Employ at least one female staff person in each program component; experiment with combining grassroots promoters with PROGRESO staff;
- 3) Determine potential new markets for women's productive activities; encourage women--perhaps with incentives in loan terms--to move from food and clothing production into new productive areas.

Recommendations presented for overall program development are:

- 1) Monitor effects of new repayment and technical assistance policies; incorporate monitoring into technical assistance content so that clients can "track" progress of their own businesses;

- 2) Clarify definition of staff roles through creating a staff manual and structuring staff-administration feedback mechanism;
- 3) Implement a policy of brief regular visits to clients' businesses, financed through technical assistance monies;
- 4) Implement a followup **diagnostico/proyecto** (diagnostic/planning meeting one year after initial meetings to review participants' group and community objectives.

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In our attempts to better understand both the distinct character of informal economic activities in Latin American cities and key approaches to reaching microbusinesses' credit needs more effectively, ACCION International/AITEC has undertaken two sets of research strategies. First, a uniform monitoring system has been implemented in each of ACCION's eleven microenterprise assistance programs in which efficiency, cost-effectiveness and scaling up for more massive economic impact are key concerns. Additionally, ACCION carefully "watches" its programs for participants' increased social or community involvement both within project areas and in other community activities. We expect that participants who experience greater access to economic resources (and thus "power") will seek empowering strategies to deal with social problems in their communities.

The pressure of woman's responsibility to her home and family, when added to her efforts aimed at economic survival mean that barriers faced by women are often much greater than those faced by men. Closer analysis of women's participation in ACCION-assisted programs is one of our priorities, since poor women everywhere have so often been excluded from development efforts favoring productive self-sufficiency, and because we believe that Latin American women may be more effectively reached with methodologies adapted to their particular situation. ACCION has been dedicated to testing these methodologies in an attempt to overcome traditional constraints faced by the poor, especially poor women, in securing access to credit and recognition as

productive contributors to their local and national economies.⁴

WOMEN'S PRODUCTIVE ACTIVITIES IN LIMA⁵

1. Women's Jobs

Of the Peruvian economically active population involved in informal sector activities, 34.5% are women.⁶ Hernando de Soto reports that of the women working in the informal sector, 70% are involved in commerces, 22% in production, and 8.2% in services.⁷ Through our interviews and informal conversations, we confirmed what several local experts suggest: most commonly, informal sector women's business goals are for increased stability in order to provide better care for their families, while men's goals often are focused on business expansion and growth.

PROGRESO's married female microentrepreneurs generally earn more than their husbands who earn a laborer's or even semi-tee salary. Most of the women who attended the "participatory interview reported that either (1) they were the sole source of income for the family, (2) their spouse was sporadically employed, or (3) they made significantly more money than their spouse, because wages are extremely low.

PROGRESO staff describe women entrepreneurs as more ambitious as saleswomen (but not necessarily as producers) than men; for example, staff report that a woman will investigate and search out new markets while a man sells more passively to an established clientele. Women seem more interested in establishing contacts,

⁴Characteristics of our sample, data collection and data analysis strategies are reviewed in Appendix I.

⁵A review of urban conditions in Lima--migration, inflation, unemployment and underemployment--is attached in Appendix II.

⁶La Prensa, 22 November, 1984, Lima, Peru. Clients participating in PROGRESO disproportionately represent women in relation to the informal PEA (Economically Active Population)--there are too many (80%) in the vendors' component and too few (17%) in the microenterprise component.

⁷In the PROGRESO program, 90% of the women clients are vendors and 10% are involved in productive activities.

rather than having a bigger market stall or a larger scale business as men do, according to PROGRESO staff. Staff members also commented that the program's women participants tend to be more involved in their work than in community activities. Partially, this may be because San Juan de Miraflores, where a majority of clients live and work, has already obtained its water, electricity, and sewage services, so there is less necessity for the residents to organize. On the other hand, women working in the markets are actively involved in market association leadership, according to PROGRESO program Director, Jose Orderique.¹⁰

2. Urban women's credit alternatives

Women's informal enterprises--dressmaking, knitting, food production, or even a small electrical parts manufacturing business, for example, do not qualify for loans from traditional lending institutions. With no collateral and only her word to guarantee a loan, a resident of one of Lima's **pueblos jovenes** must depend upon family members or friends for informal loans, or upon moneylenders (locally called **usereros**), who charge up to 20% a week for small loans. Another informal source of credit is the **junta** or **pandero**, a revolving savings/credit practice in which members of a small group of friends or neighbors contribute weekly to a common fund, and the money is distributed to each of the members on a rotating basis.¹¹ Our interviews revealed that very few of PROGRESO's female clients had borrowed either formally or through moneylenders before receiving their PROGRESO loan. Many reported having participated in **juntas** or borrowing from family and friends.

¹⁰The market associations are organized to obtain vendors' rights to the land where the market is located, and to maintain the market stalls they have constructed.

¹¹Based on a similar concept, the PROGRESO credit mechanism is familiar to residents of **pueblos jovenes**.

3. Constraints to women's access to credit

Recent literature¹² about women's use of credit in the informal sector has cited a number of constraints typically associated with women's access to credit. Some of these constraints are cultural or social, others are institutional, and others are related to the types of business activities women are involved in at the informal level. The socio-cultural constraints to women's access to credit are:¹³

- lack of awareness and experience with formal credit institutions;¹⁴
- intimidation due to social norms or family pressures that discourage women from economic activities outside the home;
- illiteracy;
- the types of work engaged in by women not recognized as productive enough to be credit-worthy;
- husband or father's consent required for credit approval in some cases.

Institutional constraints to women's access to credit are cited as:

- institution's rejection of smaller businesses not deemed

¹²Bruce, 1980; ICRW, 1980; ICRW, 1983; Looze, 1983; Pezzulo, 1983; Schumacher et al., 1980.

¹³These cultural constraints are not claimed to be universal to "developing" societies, as the evidence from Peru will prove, but they do exist to some degree in all cultures, including the industrialized economies.

¹⁴Our interviews with women participating in Progreso illustrated this trend. Although these women are not in any sense "afraid" of, for example, an office environment, they are unfamiliar with that kind of a setting—they are not sure what will be expected of them. Additionally, many women reported that the idea of the loan program was unbelievable, and they suspected that someone was trying to engañar (to fool or take advantage of) them. For these reasons, half of the female microenterprise clients first went to the Progreso office in the company of a friend, while only 8% of the men interviewed went to the office for the first time with a friend.

credit-worthy;

- unreasonable transaction costs and service fees for smaller loans and for new borrowers;
- transaction (processing and administration) time too cumbersome for women borrowers who must take time away not only from their businesses but also from childcare, cooking, and other household activities to carry out transactions;
- institutions' hours of business inappropriate for women who must attend to household duties in the mornings;
- savings deposits requirements too high;
- collateral requirements too rigid;
- payment schedules inappropriate for types of businesses.

Many solutions to these constraints to women's access to credit have been considered within the context of a group credit mechanism,¹⁵ where either a small group guarantees its individual members' debts or where production groups borrow together for their collective business activities. PROGRESO has adopted the former, a "solidarity group" credit mechanism to assist microbusinesses at the lowest economic levels, thus alleviating collateral problems. At the same time, PROGRESO tries to address the problems encountered by women at a slightly higher economic level while preserving their individual borrower status. In its "microenterprise" component, the businesses' previous track records and their potential capacity for increased production and marketing replace collateral requirements.¹⁶

Aside from the collateral requirement, solutions to other constraints to women's access to credit have been debated;¹⁷ among them are: direct credit to economic activities in which women are most active; make credit available to create new employment

¹⁵ibid.

¹⁶For some businesses, machinery and/or equipment serve as a guarantee.

¹⁷ICRW, 1980; Looze, 1983.

opportunities; provide credit for the commercialization of home production; promote the establishment of women's cooperatives and banks to mobilize capital for women's productive activities; establish women-specific credit programs; incorporate elements of informal lending, such as flexible repayment schedules for smaller loans repaid at short intervals; promote and administer the program in a decentralized setting; incorporate new purchasing and/or marketing systems into program; provide incentives to save and to mobilize savings; train women to organize their businesses more efficiently and to develop women's organizations or other support mechanisms which promote women's confidence and participation in community life.¹⁸ Later we will examine how PROGRESO has incorporated some of these solutions in its program design and administration.

PROGRESO PROGRAM DESIGN

1. Philosophy of microenterprise development

Accion Comunitaria del Peru created PROGRESO to fortify the numerous businesses of the informal sector, with long-range goals of increasing income and creating new employment at the lowest levels of Lima's economy. Because of ACCION International/AITE Latin American experience with microenterprise development programs, Accion Comunitaria del Peru expressed interest in working with ACCION advisors to implement a similar methodology in Lima's southern cone.¹⁹

PROGRESO combines characteristics of informal lending practices with elements of a formal lending institution. A frequent repayment option for market vendors, elimination of the collateral requirement, reduction of clients' paperwork and of transaction time and costs, regular meetings for program beneficiaries in the PROGRESO offices--all contribute to clients' feeling that PROGRESO is

¹⁸ICRW, 1980, pp.20-21.

¹⁹See Appendix III for descriptions of the context for women's programs in Lima and Accion Comunitaria del Peru's history.

informal and therefore accessible. One shoemaker remarked, "The people at PROGRESO don't look at us the way a banker does, we can go there any time without worrying." On the other hand, PROGRESO's formal credit characteristics are competitive interest rates, integration with banking procedures, and legal protection. Its most important innovations are its emphases on:

- scale--reaching the maximum number of businesses,
- simplicity--minimizing bureaucracy, paperwork, and supervision of clients' businesses,
- speed--rapid loan approval (and disbursement, for vendors' loans), and
- maximum feedback between staff and clients through regular beneficiary meetings.

PROGRESO's philosophy of a "line of credit" for each client encourages clients to begin long-range planning for their businesses and to think critically about how to increase production in order to qualify for further credit.

Timely loan recuperation is essential to PROGRESO's continued ability to extend credit to the poor in Lima. When payments are overdue, a fine is charged for every day that a payment is late, averaging 2% of the amount due plus a late payment fine to the bank of S/7,500 (\$2.50). PROGRESO's seriousness in collecting loan payments is reflected in high repayment rates.

PROGRESO has received technical assistance from ACCION since 1982. They received Inter-American Development Bank funding amounting to \$500,000 for its loan fund in December 1982, and \$50,000 for technical assistance. PACT contributed \$54,970 for 1982-83, renewed its commitment for 1983-84 with \$61,986, and approved \$65,757 for the 1984-85 fiscal year.²⁰

2. Characteristics of beneficiaries

PROGRESO's clients all reside in Lima's "Southern Cone"

²⁰Unfortunately, no local private sector donors have been located.

of **pueblos juvenes**, one of the city's densest concentrations of urban migrants involved in informal sector businesses and trade. But PROGRESO beneficiaries are not the poorest of Lima's poor; although their monthly family incomes²¹ are below the level necessary to buy the basic basket of essential goods, most of these people are residents of San Juan de Miraflores, an established **pueblo joven** which receives electrical, drainage, sewage and water services and has developed adequate housing that most residents of Lima's other **pueblos juvenes** don't enjoy.

Virtually all women participating in PROGRESO are mothers, and childcare responsibility is frequently cited as women's most formidable barrier to income generation. Although general consensus among women and men interviewed was that childcare services or even educational classes for their children were highly desirable, childcare was not a major preoccupation among PROGRESO clients, since the majority of their children are older.²² A few women do pay for child care, usually in combination with housekeeping help; these few women are earning enough so that it's most economical to hire someone to help with household tasks and childcare while they dedicate themselves to their businesses.²³

Vendors

The group credit component of the program was designed to meet the credit needs of the predominantly female food vendors in the **pueblos juvenes**' local markets; 80% of these PROGRESO participants are women. Often with their younger children in tow, these women work from 5:00 a.m. to 12:30 p.m., first buying

²¹The average per capita income for a family of five is \$416 for microentrepreneurs and \$506 for the vendors, according to PACT'S January 1984 report.

²²Only 28% of the market vendors, generally a younger group than the microenterprise group, requested childcare services when asked what other services Progreso might offer.

²³Two of the women at this level also reported that they pay for the services of an accountant.

their produce or staple products in the central market, then transporting their goods to a local market. They attend their closet-sized market stalls through the morning. Making an average of \$6.00 a day, many of these women are the sole income earners for their families. Of the 50 women market vendors interviewed by the evaluator, 40% reported being "heads of household."²⁴

These market vendor women have an average of six years of education while men have eight and a half years. The average age of the women is 37 years, slightly above the men's 35 years, but they have about the same amounts of business experience--between seven and eight years as vendors.

Microentrepreneurs

The microenterprise component of PROGRESO's program, designed to reach owners of small industries, assists fewer women--14% of all participating business owners. The microenterprise design component is not geared specifically for women, as is the market vendors component. In general, women's productive businesses are fewer, and they are more difficult to access because they are almost exclusively located in the business owners' homes, they are smaller scale, and women's purchasing and marketing networks are more informal than are the male producers'.²⁵ These women's businesses primarily produce food or clothing and generate an average of \$163 in monthly income, employing

²⁴This term is interpreted differently in Fernandez' ACP studies. 18% of the female vendors in Fernandez' Fall 1983 study were reported as heads of household, while 27% of Progreso promotor's May 1984 interviews were reported as heads of household; in that (Spring 1984) study, 57% of the women vendors interviewed said they are not head of household but support their husband with their income. For the May 1984 interviews, "head of household" was defined as "sole adult earning an income in the household".

²⁵The majority of female entrepreneurs produce clothing or food; they tend to market their products through intermediaries who are acquaintances or relatives, selling to one or two local shops or neighbors. In contrast, formal linkages are more characteristic of males' businesses; because of the more diverse industries they are involved in, men purchase from larger suppliers and their products are more commonly sold to retail markets.

an average of one person.

Of the clients engaged in productive activities, sixty-four are women, or 14% of all the microenterprise clients; the average age of these women is 34 years, close to the male average of 36 years. In our interviews with 36% of the female microenterprise clients, 39% reported being heads of household.²⁶ Both males and females have studied for an average of nine years and have an average of three dependents. Only 13% of microenterprise women belong to other organizations. The women average nine years of business experience, while males average eleven years. Upon applying to the program, their average incomes were \$139 monthly for women and \$160 for males, and they employed an average of 1.5 permanent workers (same for male and female clients), and an average of 1.5 temporary workers. Female employers among PROGRESO clients tended to pay their workers less than the males--an average of \$72 per month versus \$95 for male's employees, while both compare favorably to the minimum wage of \$50. Temporary employees of male and female clients earned about the same.

According to interviews we conducted in May 1984, 50% of the male microentrepreneurs and 13% of the women had borrowed previously through moneylenders or other sources, including mutuels, cooperatives, and juntas.

3. Market vendor groups and microenterprise methodologies compared²⁷

In order to qualify for participation in PROGRESO's loan program, a business must demonstrate a capacity to effectively invest more capital in materials, equipment, machinery, or inventory and for "micro-enterprises", to employ more workers. The vendors' component is designed to fund commerces and small services that can generate employment.

PROGRESO microbusiness borrowers must have a co-signer for their loans--a business owner or friend who will serve as

²⁶"Head-of-household" was defined as "sole adult earning an income in the family".

²⁷Ashe, 1982.

a guarantee if the borrower defaults. A business must be at least two years old and transform raw materials (i.e. an industry), must be located in Lima's Southern Cone and generate less than 8 million Soles (\$2,666) in monthly sales, with assets less than 20 million Soles (\$6,666). There is no minimum income level, but clients' monthly income cannot exceed S/100,000 per family member (or \$33 per capita).

The methodologies of the two components contrast sharply. The vendors' group credit component reinforces collective responsibility through a highly participatory process, whereas the methodology of the microenterprise component emphasizes one-on-one technical assistance and has limited associative objectives. Below, the methodologies of the two components are compared:

MARKET VENDOR GROUPS

MICROENTERPRISE

Promotion

Promotion

- word-of-mouth: informal conversation among friends, relatives, and work-mates;

- word-of-mouth: informal conversation between project participants and other business owners;

Selection

Selection

- consensual selection of group members who will share responsibility for loan payment;

- suitability of client is determined by the project staff through an economic analysis of the business;

Mechanism

Mechanism

- clients form their own credit groups of five business owners;

- one-on-one assistance to individual clients;

Assuring payback

Assuring payback

- group structure insures that those who do not pay will be pressured by other group members;
- if this fails, program staff can, as a last resort, repossess property purchased through the loan;

- asesores keep records of repayment schedules and control their loan portfolio;
- staff members are advised of late payments and visits are made to the business; if this is not enough, legal steps are taken;

Management assistance

- exchange of ideas about improving business practices occurs informally through conversations with group members.

Management assistance

- program personnel teach clients how to improve their businesses in one-on-one sessions.

Beneficiary's role in program

- clients can assume increasingly important roles in meeting program goals:
- membership
- informing others about the program
- taking an active role in the credit group
- becoming a group coordinator.

Beneficiary's role in program

- aside from clients' activity in program promotion and training, their role is limited.

Appropriate client population

- very small businesses;
- may be appropriate for larger businesses but this needs to be explored.

Appropriate client population

- larger shops with at least one employee;
- probably not suited for the smallest businesses as cost per beneficiary is higher and the supportiv structure of the group is absent.

Market vendor group credit component

PROGRESO's policy is to maintain 80% of this component's clients as women, so a maximum of two men per group are acceptable.

Women are targeted in this program component because:

- they represent the great majority of market vendors,
- they are among those who suffer greatest impediments in their access to credit,

● women are viewed as more responsible and will channel new income into their families rather than spending it on vices (vices--alcohol, cigarettes, games, etc.).

Vendors' first loans are fixed at S/150,000 (\$50) each. All group members are expected to attend a PROGRESO meeting when these first checks are disbursed. The loans are repaid on a weekly basis over eight weeks (for some groups borrowing

larger amounts, over ten weeks); a flat transaction fee charged each month includes all interest costs. The coordinator or president of each group pays the weekly quota at the bank, or the job is rotated among group members.

PROGRESO disburses groups' checks from the PROGRESO office and collects their payments at the local branch of Banco Weise each Tuesday. Interest for this program component was 1.5% per week until May 1984, when it was raised to 1.75% per week.²⁸ If a group applies for its next loan two weeks before the final payment is due on the present loan, and if that group's payments have been on time, the group will receive its next loan check on the same day they make their final payment. PROGRESO has set fixed increments with each new loan of S/100,000 (approximately \$33) per group member, but no member is required to borrow more; many opt to borrow at fixed or lower levels, depending upon their business activity. Some members do not borrow at all after the second or third loan but wish to remain with the group to borrow again in the future; this person will still sign the loan application as a group member and so help serve as a guarantee for the group's repayment, even though he or she receives no loan during that period. Within groups, therefore, members borrow different amounts after the initial S/150,000 loan. After a group has successfully repaid its third loan, members may opt for a ten-week repayment period. So far PROGRESO has set no upper limit on the amount a group may borrow.

Loan repayment²⁹ runs at 97% in this program component. Repayment problems are most commonly attributed to the group

²⁸Compare this to commercial banks' annual interest rates of approximately 60%. Profits generated from the vendors component are directed to Progreso's Reserve Fund which serves as "protection against devaluation, general expenses, bad debts, and *incontingencias*, according to ACP Director.

²⁹By "repayment rates," we refer to on-time loan payments. Actual recuperation rates (including late payments) are much higher--averaging 99%. Repayment rates are calculated according to the following formula: total amount of loan payments due (unpaid)/portfolio (loans disbursed) = % unrecuperated.

coordinator who disappears with the money or "loses" it on the way to the bank. Some group members leave town without paying their debts,³⁰ and some members cannot make their payments because of economic crises or poor profits.

In cases where a group or a group member is late in its payment, a PROGRESO staff member posts that group's name in the market and reports the group to other groups in that market. In 18 months, less than 1% of the groups have not paid back their loans. A strong incentive incorporated into the PROGRESO program design is the automatic lending of a slightly larger amount once a loan is paid; if a member or group has been late in making payments, the subsequent loan may be delayed for a few weeks, according to the promotor's assessment of the reasons for the group's tardiness. In both program components, staff members exercise some discretion in determining whether late payments are justified, and therefore whether the next loan will be delayed. In all but the most extreme cases (a group member's death, for example), a fine is imposed for late payments.

The AITEC advisor reports that PROGRESO has a reputation for its strong disciplinarian attitude when collecting loan payments. This somewhat authoritarian image is counteracted by PROGRESO's adoption of a new slogan, posted on office walls and repeated at client meetings: "You approve your own credit." The slogan reinforces the idea that clients assume effective responsibility for assuring their next loan by their repayment performance.

³⁰See Case Study #2 in Appendix II for an account of one group that had serious problems with irresponsible members, split up, and formed a successful new group with three women who had had a similar experience in their previous group.

Microenterprise component

As in the vendors' component, promotion of the microenterprise loan program is now solely through word of mouth by program participants. Clients attend a series of three introductory meetings before receiving their loan. These meetings are run by the PROGRESO director, a local resident with over ten years of experience as a community promotor who orients new clients with a dynamic participatory approach.

During the first meeting, the program philosophy and policies are presented. The second meeting is called a "diagnostic" meeting. The group of 20-30 potential clients is broken into work-groups of five to eight people, and staff members help participants to diagnose their businesses--to write down their production objectives, to describe the accounting system and working conditions in their workplace, locate their markets and suppliers, account for costs, sales, and long-term production plans, and set goals for their family and community.³¹ Between the first and second meetings, normally about 25% of the prospective clients fall out, either because of disagreement with some aspect of program policy or lack of the required qualifications or commitment.

At the third meeting clients receive their loan checks. Spouses and family members are invited to attend, partially so that the family will be involved in the responsibility and commitment required for repayment, and partially to assign respect and stature to the business owner through a somewhat ceremonious presentation of checks.

After a potential client has applied for a loan, a PROGRESO staff analyst visits the business to see if more working capital can be invested effectively in production and to assure that the business has been in existence for at least two years.

³¹The "diagnostic" meeting is supposed to also function as a way to teach basic accounting to business owners, but the meetings already cover too much ground and clients are somewhat rushed throughout the process.

PROGRESO staff found this necessary step to be somewhat of a detective's job. Some applicants were discovered to have borrowed machinery or equipment and "employees" especially for the PROGRESO analyst's visit, to create the appearance of an active industry, usually in their home. Now staff members make surprise visits and inquire from neighbors, "Where is the shoemaker's shop on this street?" or "Where can I pick up a tin washbasin?"

If the PROGRESO analyst approves the loan application, then the PROGRESO Director, technical assistant, and a staff committee review the application, and if it is approved at this stage, it is officially approved by a representative of Banco Weise, the Director of Accion Comunitaria del Peru, and an ACP board member. The entire process takes three to four weeks.

Clients' loan checks are cashed at the local branch of the Banco Weise, where clients also make their loan payments. The first loan is almost always invested in raw materials; and later loans may be applied to the purchase of machinery or to fix up the shop. First loans run as low as S/300,000 (\$100), but the maximum loan size for a first loan is S/1 million (\$333). The second loan cannot be more than double the amount of the first loan. Interest rates are 62% annually over the total cost of the loan.³² Monthly payments include interest on outstanding principle, in contrast to the vendors' component which charges a flat 1.75% of the total loan each week, or 91% annually. Repayment periods are six months with no grace period, after a change in program methodology in March of 1984 when the repayment period was shortened from twelve months (with a one-month grace period). The PROGRESO Director states that this change in policy was intended to "animate" clients' productivity, to stimulate them to seek the most efficient utility in production. At the same time, given the constraint of a ceiling on the microenterprise component's interest rates under the Inter-American Development

³²This rate was implemented in April 1984. Previously, the interest charged was 49.5% annually, with a 3% transaction fee. The transaction charge has been eliminated.

Bank contract, PROGRESO's portfolio is utilized more efficiently with a shorter repayment period.

The bank advises PROGRESO of late payments and PROGRESO follows them up, charging a fine for each day the payment is late.

Experimental methodologies

Since early 1984 PROGRESO has been extending loans to credit groups for housing construction and repair. This was a frequently reported need and ACP planners felt it was justified. As of May 1984, a total of \$4,152 in loans (at 1.75% weekly) had been administered to ten groups (representing fifty families) of neighbors who guarantee each others' loans for improving their housing. Preliminary results of this experimental methodology reveal that these groups have little trouble making their payments; so far the recovery rate has been stable at 100%. However, many group members state that they prefer to borrow for housing investment with members of the group they already know--their fellow market vendors--rather than with neighbors in a newly settled area whom they are just becoming acquainted with. Pointing out that they already know the work habits and income potential of the members of their market vendor group, they feel more comfortable making the credit commitment with these people than with new neighbors whose businesses they are not familiar with.

In another experiment, this time with member-controlled loan approval, one test solidarity group in San Juan de Lurigancho organized its own "association" and took out sixteen loans. The association was responsible for approving and overseeing its members' loans. Only one member failed to pay his quota, but the association committee made up for it, and 24 more loans were administered. PROGRESO staff has given the association responsibility to evaluate members' credit-worthiness, and according to PROGRESO director Orderique, "so far, they've done a good job".

In the Spring of 1984 PROGRESO experimented with shorter (15-day to 3-month) repayment periods for larger loans (1.5 to 3 million Soles, or \$500-\$1,000) to a small group of microenterprise borrowers. Repayment was extremely poor. In another experiment, an attempt was made to capitalize upon extremely active periods for some producers--Christmas, or when school uniforms are in great demand, for example. PROGRESO offered relatively small short-term loans in addition to the borrowers' original loans to a limited number of borrowers. Repayment was difficult for these clients. These experiments were also designed to "animate" clients to expand production, but as project director Jose Orderique noted, the radical increase in production required to pay the larger loan payments (for a higher short-term loan or for a short-term loan payment on top of the original loan payment) really requires a profound "character change" in the producer. This sort of personal adaptation may not be stimulated nor accomplished summarily to accomodate a loan program policy.

4. Staffing

PROGRESO field staff consists of five men; four work in the microenterprise component and one is a promotor for the market vendors (known as *micronegociantes*). Of the microenterprise staff, two have recently been reassigned as "credit analysts" and two serve as technical advisors to clients. Credit analysts confine the scope of their work to attending new and returning borrowers' loan applications. This involves advising on application procedures during the introductory meetings, visiting the borrowers' businesses to verify their readiness for credit, and helping prepare the final application. Two other microenterprise staff "technical advisors" will devote themselves strictly to one-on-one technical assistance. The *micronegociantes* promotor manages all aspects of client relations with the market vendors and housing loan beneficiaries.

Field staff members are educated in business administration, economics, engineering, and public relations. One has extensive

experience with ACP in community promotion efforts. The majority of staff training time (75%) takes place in the field, with strong emphasis on grassroots contact. Field staff who seem to be most effective in their rapport with clients live in the San Juan de Miraflores area where the PROGRESO office is located. The PROGRESO director is himself one of the original residents of the *pueblo joven* and is well known in the community. His profound experience and constant contact with both program beneficiaries and other local residents is a crucial variable in PROGRESO's success.

ACP plans to keep hiring new staff as more clients enter the program and as its capacity to offer technical assistance grows. For now, the AITEC advisor estimates that with an average of 112 clients per promoter, the present microenterprise component staff is working at about 95% of its capacity while the vendors' promotor, with 180 groups to oversee, has reached capacity.

5. Technical assistance

Initial program design for technical assistance

In both the vendor component and the microenterprise component of the PROGRESO program, the original philosophy governing technical assistance was that it should be extremely simple--informal advice to clients or management hints offered in a group setting--both through PROGRESO group meetings and through the vendors' self-initiated group meetings. Initially, introductory meetings were intended to serve as an opportunity to discuss concepts of efficiency and scale, accounting methods, and marketing. Aside from PROGRESO meetings, the market vendors were expected to share marketing and other expertise among themselves. Until May 1984, staff time was not dedicated to any formal one-on-one technical assistance, although staff members found themselves offering suggestions and fielding questions when they visited the beneficiaries' work sites. The promotor for the vendor component reported that the only real business advice he offered was to advise

his clients to invest in products whose sales would turn over rapidly in order to make the best use of their credit.

Needs for technical assistance

Some staff members found that clients' needs and desire for technical assistance exceeded the limits the staff's crowded schedules would allow. They felt that clients were entitled to efficient and high quality services since they were paying commercial interest rates. Early in 1984, PROGRESO planners decided that more formal technical assistance should be offered to microbusiness owners so that they could make more effective use of their loans.

In addition to staff reports, further needs for technical assistance in business management were universally reported by program beneficiaries and other local experts working with similar groups. One female shoemaker said: "It's as if we are drowning in a glass of water, because we don't know how to organize our businesses." Particularly among women, lack of literacy³³ and education make even simple accounting a relatively rare occurrence. Microenterprise staff advisors had no idea how many of their clients use an accounting system; the program director estimates that only about 2% use an account book. In our meeting with market vendors, none of the women reported using an accounting system, although the evaluator observed several women in their market stalls keeping small notebooks or scratchpaper to record both sales and credit accounts for regular customers.

One illustration of the need for more management assistance is found in women's responses to a short story told to them during our interviews. The story describes a seamstress and her daughter who cut cloth in the morning while the sewing machine stands idle; then the mother sews in the afternoon. When asked how this household might improve production, only two of twenty-

³³Women attending our meetings averaged 60% literate.

three respondents suggested using the machine in the morning as well as the afternoon.

Over one-third of the vendors interviewed specifically requested more information or courses in business management. Half of the female microenterprise participants in an **encuesta participacion** meeting stated they would be willing to pay for such courses. Another one-third of the female vendors interviewed expressed interest in some type of vocational training. This indicates that they are not wedded to commerce and might be encouraged to move into innovative areas of production, trades, or services. Most³⁴ feel a professional is better prepared to help them than is a local person even if she has had special training. About half of the women interviewed requested health-related courses in family planning, hygiene, and nutrition.

Current program design for technical assistance

Recently, a modification of PROGRESO policy requires that all first-loan clients pay for monthly technical assistance visits. A methodology for this one-on-one advice remains to be defined clearly. Staff members began to make these technical assistance visits in mid-May, 1984, to assist the ninety-four clients who received their loans in March, April, and May. To maximize the use of staff time, the sessions are designed to cover as much ground as possible. Each client receives a total of six visits during which analysis of costs, accounting, production plans and organization are introduced.

Since this approach to technical assistance is so new, no effects on clients' businesses are yet discernible. A recording system to monitor technical assistance visits had not yet been set up at the time of the evaluation. At present, each staff advisor designs his own recording system as well as his particular approach to the content and method of the technical assistance

³⁴65% of the female vendors, 65% of the female microenterprise clients, and 42% of the males interviewed preferred professional technical assistance.

sessions.

A revealing statement that describes PROGRESO's technical assistance philosophy was mentioned in passing by a promotor: "We are running PROGRESO like a business; we aren't giving away any gifts." This statement holds true for technical assistance as well as for the loans themselves. Beneficiaries are expected to recognize the real value of the advice they receive from PROGRESO staff. As a result, microenterprise clients are now paying about \$3.00 for each of six visits, which is two-thirds of PROGRESO's real cost, according to AITEC's advisor. In time, PROGRESO administrators plan to charge more and cover their costs for technical assistance through client fees. In the meantime, technical assistance is subsidized to allow clients enough access to know whether or not such assistance could be valuable to them.

Site visits

Regular site visits have never played a significant role in PROGRESO's methodology. Based on interviews with microenterprise clients, 43% of the women were visited by staff less than once a month; the average number of staff visits for this group was 2.3 visits per year. Forty-two percent of the male microenterprise clients interviewed were visited less than one a month, and for this group, the average is 3.2 staff visits per year.

The market vendors promoter constantly visits the markets, but his clients work in twenty-six different markets, so he can't visit any one market with frequency. During the period when this promoter for the vendor component was vacationing and unable to visit his clients, the repayment rates dropped slightly, from 97.5% to 94%. This staff person is convinced that constant *seguimiento* (literally, "following") of clients' businesses is important. He feels that repayment is directly related to contact and communication between staff and clients.

Staff members were asked to estimate how they allocated their time. Overall, staff members reported that they spend

41% of their time in the field, 22% in meetings, 20% doing paperwork, and 17% working with clients in the PROGRESO office.

Technical assistance in PROGRESO meetings for beneficiaries

Much of PROGRESO's success can be attributed to its promotion of dialogue with clients. A "feedback" system has been designed through a series of required pre-loan meetings for all new and returning loan candidates.³⁵ During the meetings, clients openly discuss their concerns, complaints and suggestions, while PROGRESO staff discuss program policy or Lima's changing business and economic environment. Women and men actively participate in the discussions, and one result of the "feedback" system is that PROGRESO has arranged to collaborate with a local women's educational development organization to provide skills training in basic business, health, and nutrition to PROGRESO's female participants.³⁶

In the meetings, PROGRESO staff reinforce the fact that clients are paying for the services that they receive, that PROGRESO operates as a business service and must cover its costs, and that each aspect of project maintenance costs money. For example, the vendors universally requested that policy be changed to allow them to pay their quota at the bank on Tuesday afternoon rather than Tuesday morning, so that the group coordinator wouldn't lose the day's sales in the market. Project director Orderique noted that if this change were implemented, PROGRESO would need to pay a staff person to work these extra hours and that cost--like other program costs--would be reflected in interest rates. He went on to point to the light fixtures, the fan, the meeting room itself, remarking that all these represented costs to the program--costs that clients' interest payments must cover.

³⁵Unfortunately, most of those vendors who attend are group coordinators who come on behalf of the entire group, although all group members are expected to attend.

³⁶**Asociacion Para Mujeres en Desarrollo** (ADIM) has been approved by PACT for 1984 for funding of this educational component for women.

This realism enhances business owners' awareness of cost/benefit constraints both within the program and ideally, within their own businesses. Revealing these constraints to clients in the "popular" communication approach that the project Director handles so artfully also brings participants into the project's decision-making processes, at least to the degree that their opinions carry weight and merit group discussion of program options.

The entire PROGRESO clientele rotates through the office for meetings--every 8 to 10 weeks for vendors and every six months for microentrepreneurs--so new policies and approaches are diffused throughout the clientele this way. Three recent program emphases diffused in the meetings were (1) that clients should allow their businesses to expand slowly, borrowing only what could be absorbed readily, (2) the concept, "You approve your own credit," and finally, (3) the importance of good working conditions as a mark of an improved business.

GENERAL PROGRAM RESULTS

Given its specific goals of job and income generation, PROGRESO's initial successes have been significant, particularly in reaching market vendor women. Many constraints to women's access to credit have been successfully overcome, due largely to the following program characteristics:

- their businesses are recognized as credit-worthy,
- no collateral is required,
- interest rates and frequent payments (for vendors) are felt by clients to be appropriate,
- the PROGRESO office is located in the community,
- transaction time is minimal,
- there is social support for women's participation,
- program promotion and technical assistance is located in the markets or business-place,
- program methodology is fairly simple, although literacy is virtually required for microenterprise clients.

One might summarize PROGRESO's overall achievements as having offered 1) security and 2) more stability to local vendors and microbusiness owners. A woman market vendor remarked: "The loan helps me to maintain my business at a more stable level. I'm not as affected by shortages and fluctuations in the market, like in April when everyone is broke because of school uniform and supplies fees, for example. I'm better able to maintain my stock rather than being hurt by crises." Another said, "We feel more secure with PROGRESO than with a bank that probably would reject us."

1. Increases in income and employment

Interviews in May of 1984 revealed a 25% average increase in female microbusiness owners' income since receiving credit. In addition, an average of one new job per business was created. In the vendor component, an average increase in income of 43% was reported based on a survey of one hundred vendors in the Fall of 1983.³⁷

³⁷See page 45 for more recent and differentiated income results for vendors.

ECONOMIC INDICATORS OF MARKET VENDORS PARTICIPATING IN PROGRESO³⁸
January-December 1983
(Daily averages)

TYPE OF BUSINESS	# INTER-VIEWED	% OF THESE BUSINESSES IN PROGRAM	AVERAGE # YEARS EXPERIENCE	DAILY INVESTMENT (PRE-LOAN)	DAILY INVESTMENT (POST-LOAN) Δ	DAILY MARGIN OF UTILITY (PRE-LOAN)	DAILY MARGIN OF UTILITY (POST-LOAN) Δ
RICE, BEANS, STAPLES, HOUSEHOLD GOODS	40	40.0	7.7	\$28.04	0.72 (9.5%)	\$7.61	\$8.44 (11%)
CLOTHING, CLOTH, BLANKETS, THREADS, ETC.	16	16.1	10.3	\$8.72	\$12.17 (39.5%)	\$2.46	\$3.53 (43%)
VEGETABLES, TUBERS	9	9.0	8.8	\$24.60	\$41.89 (70%)	\$2.54	\$3.56 (40%)
MEAT	4	4.1	9.0	\$28.17	\$32.21 (14%)	\$2.71	\$5.42 (100%)
PREPARED FOODS	6	6.2	7.5	\$6.79	\$18.34 (170%)	\$4.27	\$5.85 (37%)
POULTRY, EGGS	6	5.8	9.3	\$28.36	\$65.75 (132%)	\$3.87	\$6.41 (66%)
FRUIT	5	5.0	7.4	\$30.11	\$29.75 (-1%)	\$2.11	\$2.63 (25%)
LEATHER, JEWELRY, COSMETICS, TOOLS, SERVICES	3	3.2	6.7	\$3.27	\$4.42 (35%)	\$1.92	\$2.92 (52%)
SWEETS, TOYS	3	2.9	3.3	\$5.83	\$11.30 (94%)	\$1.38	\$2.46 (78%)
FISH	2	2.1	6.5	\$38.85	\$50.09 (29%)	\$2.31	\$3.58 (55%)
UNSPECIFIED	2	2.1	15.0	\$44.68	\$43.15 (-3%)	\$4.61	\$4.61 -
LOCKSMITH, ELECTRICAL APPLIANCE REPAIR	2	1.8	3.5	\$8.62	\$10.94 (27%)	\$5.22	\$6.59 (26%)
SHOE REPAIR	2	1.7	10.0	\$11.65	\$15.41 (32%)	\$3.46	\$8.07 (133%)
AVERAGE OF SAMPLE			8.2	\$21.57	\$28.93 (34%)	\$4.65	\$5.93 (28%)
TOTAL	100	100					

PROGRAM COSTS

Based on PROGRESO's first quarter report for 1984, loans sizes average \$655 for microenterprise clients and \$163 for vendors. Thirteen percent of the business owners have received second loans, while market vendors have received an average of six loans per vendor. Overall program costs per loan are \$58 for the microenterprise loans and \$32 for the vendors' loans.

³⁸(In Soles as of October/November, 1983: S/2,167= US\$1.00) Fernandez, Guillermo. Estudio Evaluativo del Programa Progreso, Sub-programa para micronegociantes, Accion Comunitaria del Peru, Lima, Peru, pp.31,21.

Program cost per new job created for the microenterprise component is \$512. During the first quarter of 1984, self-sufficiency was 65.5% for the vendor component.³⁹ Increased self-sufficiency is projected within six to eight months, once more technical assistance and interest incomes are realized.

IMPACT ON WOMEN'S BUSINESSES

Women's participation in PROGRESO has been remarkably strong, especially in the vendor component. The typical female beneficiary stands up to speak in meetings and is concerned with obtaining the best service available from PROGRESO's program. Most of the women participating in our meetings admitted that initially they were afraid to come to the office and join in the meetings, but now that fear is gone. They also report that the program's growing scale shouldn't affect their ability nor enthusiasm to continue participating.

In both program components, women's repayment behavior is more responsible than men's, according to PROGRESO staff. Otherwise, in general, women's businesses assisted by PROGRESO are faring much like the men's, in terms of relative increases in income and generation of new jobs.

1. Micronegociantes (Market Vendors):

Between November 1982 and April 1984, a total of \$345,467 was lent to 560 female and 140 male market vendors. Their average daily income is approximately \$3.40 (men's is slightly higher, averaging \$5). The ACP study conducted in the Fall of 1983 shows that the various types of vendors' income increases average

³⁹In the first quarter of 1984, only 39 microenterprise loans were administered, due to the restructuring of this project component; therefore, we were unable to determine that component's self-sufficiency ratio.

out to a 43% increase.

DAILY MARGIN OF UTILITY (SALES/COSTS) FOR MARKET VENDORS⁴⁰

	<u>Before Loan</u>	<u>Post-Loan</u>	<u>% Increase</u>
Males	1.85 ⁴¹	5.66	205%
Females	2.66	3.74	41%

We wanted to update ACP's income information but didn't have time to analyse each vendor's margin of utility. With comparable income figures difficult to accurately obtain, given inflation, we simply asked the vendors whether sales and profits were "a little", "medium," or "a lot" higher/lower. Our results were as follows:

Sales

Although most beneficiaries report that they invest in more goods for their commerces, sales activity is generally depressed. One third of the females and 2/3 of the males reported that sales are down, with another third of the women reporting that they are the same.

Income

Despite their reports of decreased or leveled-off sales

⁴⁰Sample size: 20 males, 80 females. Due to the small male sample size, the male/female differential may not be accurate. The ACP report does not disaggregate data for which types of products are more frequently sold by males than females. However, the male/female income differential reported by ACP differs significantly from our interviews with **abarotes** (rice, beans and other staples) vendors, which represent 42% of the market vendors we interviewed. Of these vendors selling more or less the same products, 83% of the women and 55% of the males reported increased income. All of them reported slight increases. Across all vendors' businesses, 30% of the men and only 6% of the women reported decreases in income.

⁴¹October-November, 1983: US\$1.00 = S/2,167 (cited in Fernandez, Guillermo, Accion Comunitaria del Peru, 1984).

activity, vendors' income reports are generally more positive. In our three sets of vendors samples, half of the men and one-third to half of the women report increases, if modest, in income. Another one-third of the women report that their income is stable at pre-loan levels.⁴²

Clients interviewed in the Spring of 1984 have borrowed an average of six times so far. Of these clients, 42% of the men and 30% of the women have savings, but very few keep their savings in a bank. Forty-six percent reported that they live better now than before.

Business Practices

One quarter of the vendors participating in our meetings work longer hours now, reportedly because they have more to sell. According to their own reports, the vendors carry more merchandise and more variety on their shelves, and many have fixed up or enlarged their market stalls. Three quarters of the female vendors report buying in larger quantity; half make at least some of their purchases on credit, and three quarters extend interest-free credit to their regular customers. Most of these vendors, especially those dealing in **abarrotes** (rice, beans and other staples), have traditionally purchased on credit as well as extending credit if at all possible. Now, slightly more flexibility in obtaining and extending credit is possible with the extra capital provided by the loan. None of the vendors reported that they sell their products at lower prices.

Of the women vendors interviewed, 79% plan to continue selling the same products they sell now, but increasing their

⁴²Forty-seven percent of the nineteen men interviewed by a staff member reported that income has increased and 60% of the women he interviewed reported "a little bit more" income than before. One third of the fifty women interviewed by the outside evaluator reported that their incomes had increased, one third that they were the same, and one third reported decreased income. Our third sample set, those attending **encuestas participacion**, reported income increases for about one-third of their businesses.

inventory, while 21% plan to change products or begin a small productive industry.

Borrowing Patterns

Borrowing patterns among the market vendors are typical of informal economies throughout Latin America. Commonly, personal and business money are not kept separately. Borrowing among family and friends is usual, and in the vendors' groups, borrowing among group members to make a loan payment is universal. Thirty-eight percent of the women vendors interviewed reported difficulty in making their payments, and fifty percent borrow informally from other sources, with 12% reporting that they play in *juntas*.

Only 16% of the women would want to borrow more than a million Soles (around \$330). Everyone expressed a strong concern for maintaining their access to credit and thus feared the risk of overborrowing. Ten percent reported wanting to borrow individual rather than in a group, but this was not asked of all subjects. Of those who did prefer to borrow individually, the reason was that sometimes other group members cannot be trusted and they endanger the other group members' access to credit.

2. Microenterprise Businesswomen:

Income

A total of \$40,350 was loaned to female microenterprise clients between January 1983 and April 1984, and \$267,601 to male clients. Average sizes of first loans for women were lower than men's--\$572 vs. \$611--and for the 14% of men and women who have received second loans, the differences were similar--\$917 vs. \$957. Given the total average monthly income for these business owners (\$163 for women and \$198 for men), these differences of \$30-\$40 in their average loan sizes are significant--representing 21% of women's average monthly income--although they proportionately reflect real differences in their actual incomes.

Although we found an average increase of 25% in the sample of female business owners' incomes since receiving credit,⁴³ 28.5% of the women interviewed reported that they are earning less now than before the loan. Our male sample was too small to compare income figures. Fifty-two percent of the women and 42% of the men have savings, and three quarters of each group reports that the credit allows them to live better.

We looked at characteristics of the most successful micro-businesswomen. Forty-eight percent of our female sample reported increases in income of more than 50%. Of these, half experienced increases of more than 100%. The following table reveals characteristics of these business owners:

	INCREASE IN INCOME	
	<u>50-100%</u>	<u>100+%</u>
Age	33	32
Years of business experience	9.4	4.8
Head-of-household	40%	40%
Years of education	9	(not enough data)

⁴³Income data are figured by translating initial and current income figures into the appropriate dollar equivalent, but, as mentioned, this method is problematical since the Sol's real buying power doesn't keep pace with inflation.

Sixty percent of the women's businesses with more than 100% increases were clothing manufacturers, but virtually all of the non-traditional women's businesses (baking soda manufacture, stove parts, dish-soap packaging, etc.) were among the most successful businesses.

Business Practices

Microenterprise clients reported that most of their loan money was invested in materials, but about 20% of both men and women also invested in machinery. The average workday is still around 8 hours for half of both the men and women. 35% of the women report that they work more--averaging 3 more hours per day.

Borrowing Patterns

Although some of the microenterprise clients reported some difficulty in making their loan payments, no one reported having to borrow or pawn in order to make their loan payment, in contrast to the vendors who widely borrow to make their payments.

All of the female microenterprise clients interviewed and 92% of the men indicated that they plan to continue borrowing through PROGRESO; 52% of these women and 83% of the men want to borrow more than one million Soles (more than \$333). The average amount the women want to borrow is 3.5 million, and the men: 4.86 million Soles. Of the few clients who plan to borrow more than four million Soles, more men than women are planning to borrow up to six million Soles.

A number of both male and female borrowers expressed interest in a group credit mechanism for microentrepreneurs.⁴⁴ They felt that the group scheme provides security and is a good opportunity to learn from others involved in similar businesses.

⁴⁴See page 59 for more details about microenterprise owners' interest in participating in groups.

PROGRESO'S STRENGTHS AND WEAKNESSES

1. Design

Major strengths in the design of the PROGRESO program are related to its streamlining of staff functions for greater efficiency, and paradoxically, this leads to its other strength--facilitating beneficiary participation.

Staff time per client is greatly reduced with the practice of filling out loan applications in the group meetings. Each staff person attends up to 20 or 30 clients, and although a site visit will recheck details about the businesses, the meetings eliminate a lot of the informational time a strictly one-on-one methodology requires. The slogan and concept "You approve your own credit" strengthens beneficiaries' self-sufficiency in the ongoing loan application process; clients can fairly accurately predict whether or not their application will be approved, based on prior repayment performance and a realistic appraisal of their own business.

The rudimentary account-keeping and management advice proffered during those initial meetings also make staff time more efficient during the technical assistance visits.

Because few office visits are required of clients, women (who often are forced to juggle work with family responsibilities) are able to spend more time with their families. Eighty-seven percent of the women microenterprise clients visit the PROGRESO office once a month or less.

From clients' point of view, an unintended strength in the program design is the reasonable interest rate for microentrepreneurs--unintended because PROGRESO administrators feel the interest rate is unreasonably low. In any case, 87% of the female microenterprise clients and 92% of the men report that

they feel comfortable with the present interest rates.⁴⁵ They generally are also happy with the monthly payment schedule, although almost half of both the female microenterprise and vendor clients in our *encuesta participacion* mentioned that a bi-monthly payment option would be more convenient.

Of the vendors, three-quarters of the women interviewed were either satisfied or happy with the interest rates they have been paying, although they expressed fear that the rates would rise to an unreasonable level soon. Half were happy with weekly payments while another 46% wanted to pay twice a month.

An intentional design limitation is PROGRESO's narrow focus-- employment and income generation. Broader development goals like mediation of government services to the community, resource and skill development, or "empowerment" goals like literacy training or neighborhood organization are not on the agenda. However, in its failure as an "integrated" development project, PROGRESO has developed strength in its one target area--credit.

Another limitation is that PROGRESO does not reach the poorest residents of Lima's *pueblos jóvenes*, primarily because of its location in an established zone and its two-year requirement for business eligibility.⁴⁶ A third shortcoming is the virtual necessity that microenterprise clients be proficient at reading and writing. The intake process hinges on clients' being able to work independently on their own application.⁴⁷ An intake service for the nonliterate might involve one extra staffperson

⁴⁵This data was drawn from clients who were paying 49.5% annually. To compensate partially for the lack of income generated by these comfortable interest rates, the six-month repayment schedule was implemented for microbusiness owners. It's too early to tell whether the benefits of this measure will outweigh its costs. During the first few months of its implementation, late repayment rates rose slightly, from 17% to the 20-25% range.

⁴⁶Lima's poorest residents live in the most recently settled zones and are very newly involved in economic activities in the urban area.

⁴⁷In this case, a design strength--increased efficiency--is also a weakness because it excludes certain potential beneficiaries from participating.

(or 'volunteer) seated at one table during the regular "diagnostic" meeting to assist those who have trouble writing.

Finally, even with increased scale (and therefore, better selection for their clients), beneficiaries' prices appear to be no lower than they were before the loan, so final demand benefits⁴⁸ are not passed on to consumers.

Clients have identified further limitations in PROGRESO's program design. Vendors feel that PROGRESO should vary loan amounts according to the type of product a vendor sells, rather than according to how many times a vendor has borrowed. For example, an ~~abarrote~~ vendor must invest a great deal in order to fully stock his or her stall, and profits are realized over a longer period than for a fresh produce vendor who buys smaller amounts on a daily basis and realizes a daily return on his or her investment.

Some clients report that loans in both program components are given out too easily, saying that some people receive loans who don't really have businesses. A few vendors suggested that the staff should take more responsibility for repayment problems, since group members cannot take legal action against another member and feel helpless to reinforce payment.

Many of the microenterprise clients felt that the new six-month repayment period is too short for larger businesses, comparing it to the Banco Industrial which allows for a two-year repayment period for comparable and slightly larger business loans.

In our interviews, clients' suggestions for added services were generally agreed upon by both men and women, except more women (48%) requested the hiring of a female staff person and more women (48%) requested longer repayment periods. Major requests from both men and women were for more technical assistance and/or courses in business management areas. Among women, equally important were requests for courses in health, hygiene and family

⁴⁸See Kilby, Peter and D'Zmura, David. Searching for Benefits, (manuscript), Wesleyan University, May 1984.

planning. Half of both men and women expressed the need for educational services for children.

2. Promotion

The major strength in PROGRESO's promotion effort is that it is inexpensive. The program is promoted primarily through word-of-mouth; only 13% of the microenterprise clients were first approached by a staff person. Initially, a promoter visited markets in the San Juan area to advertise the vendors' program, but now virtually all new clients come to know about PROGRESO through their friends and fellow vendors. This promotion approach "selects out" de facto certain potential beneficiaries, mainly those who are not tightly linked to informal information and gossip networks. Again, these are often the more recent arrivals or those who live in less accessible areas of the pueblos jóvenes.

3. Administration

Among PROGRESO's many administrative strengths are ACP's experienced approach to community intervention, the PROGRESO director's competence in social programs, and the recent division of staff tasks to accommodate a stronger technical assistance component while making loan application procedures more efficient.

An indispensable strength is ACP's capacity for internal evaluation. Last year's exhaustive studies of a sample of the program's businesses, supervised by an ACP economist, provided a great deal of material for administrators and program staff's analysis of separate variables in the project's methodology.

Now, ACP's capacity for internal evaluation might be extended to include participants in interpreting and analyzing data about their colleagues' businesses, perhaps using a "case study" approach during the regular capacitation meetings.

Given its target population of 80% women in the vendors component and its commitment to integrating women into the microenterprise component, a serious weakness in PROGRESO administration is the absence of female field staff. Although administrators

have searched unsuccessfully for an appropriate female fieldworker, aggressive recruitment is called for. Program staff as well as beneficiaries (primarily the vendors) concur that a female would serve as an important symbol of program accessibility to women as well as a role model for the young. The promotor in the vendor component cites an urgent need for a female staff member, noting that "women are reluctant to discuss certain aspects of their work, of their lives with a man; there is a certain level of *confianza* (trust) between women that just doesn't exist with me." The great majority of the female market vendors commented that they would prefer to work with a female staff person, although 61% of the microenterprise women (and 83% of the men) interviewed said that the staff's sex didn't really matter.

Staff members and clients alike expressed concern that lack of staff contact with clients weakened the program. As an example, the failure of staff advisors even to find out whether a client is using an accounting system or not certainly curtails his ability to offer effective advice. Another problem has been that some borrowers, particularly among the vendors, reported using the PROGRESO loan to pay off old debts, to play in *jrutas*, or to invest in house repairs, as well as to fix up their shop or market stall. There have even been rumors in the San Juan community that market women are diverting loans to their husbands. Staff have been limited by time and transportation constraints; with the new policy for technical assistance now in place, staff-client contact, at least in the microenterprise component, should improve.

Finally, microenterprise loan disbursement time, although down from 30 days to 20-25 days is still too long and the process too complex to be able to administer the numbers of loans required to impact the informal sector economy even in the targeted local area. The limitations of Banco Weise's infrastructure prohibits faster loan disbursement, just as it eliminates the feasibility of short term loans added to microenterprise clients' regular longer term loans.

4. Beneficiary Participation

Feedback mechanisms

PROGRESO is on its way to establishing an effective feedback system for beneficiaries to participate in program decisions. The regular meetings function as a sounding-board with project director and/or staff. So far, each of the clients' major concerns has been dealt with informally. The project director takes responsibility for researching clients' problems or suggestions and considering solutions in conjunction with ACP officials and the AITEC advisor.

One example of a client concern that was handled this way is the scheduling of vendors' weekly repayment. Previously, coordinators of the vendor groups lost one day of work in order to make their groups' loan payments at the bank; after many months of vendors' advocating for an afternoon payment option, PROGRESO administrators coordinated a change in policy with the bank to accommodate the vendors' work schedules.⁴⁹

With similar policy concerns, loan clients lobby at beneficiary meetings for policy changes, and PROGRESO staff are compelled to seriously consider the issues. However, the seriousness with which client concerns are treated by PROGRESO staff is largely a result of the experience, intuitive skill, and good will of the project Director. No formal mechanism for client input and participation in program policy development has been implemented. Clients' enthusiasm and knowledge in program areas will surely push ACP planners in the direction of greater beneficiary participation, but without the competent direction that they now enjoy in the person of the project director, this aspect

⁴⁹The newly implemented six-month repayment schedule (with no grace period) for microbusiness clients is another policy that disturbs clients, as is the requirement for housing loans in which borrowing must be through neighborhood groups rather than existing market vendor groups.

of PROGRESO's purpose would not likely be fulfilled.⁵⁰

Plans for increased beneficiary participation, ayuda mutua (mutual aid), and associational activities

Beneficiaries who are vendors already participate in program functions on the level of their groups, primarily exchanging advice and ideas--which we label "management assistance". Women vendors expressed a great deal of satisfaction with this aspect of the program, and microbusiness women who borrow individually (61% of those interviewed) also expressed a desire to participate in a similar group framework, to share ideas, learn from others' experience, etc.

In the Fall of 1983, women attended the first staff-initiated "microbusiness association" meeting proportionately to their representation in the program--15% of the 200 meeting participants were women. At that meeting, participants talked about possibilities for organizing *ferias* (fairs) to market their products, of organizing to confront the necessity of legalizing their businesses, of mutual aid benefits they might implement as an association, and of their other common concerns as informal sector residents and business owners. Women, in particular, had hoped to organize bulk purchasing, since many are involved in similar businesses. Women also express a consistent interest in a microbusiness

⁵⁰ACP planners did envision a project with broad social purpose when they designed Progreso, as indicated in the original Programa: "Just a part of the microentrepreneurs' problems, not necessarily the most important part, can be solved through development of their businesses. Therefore, it is necessary to have as the principle objective the promotion of a change in attitude in the *comerciantes* so they will be more concerned with nutrition, health, hygiene, etc. With this objective, it is clear that activities directed specifically at their businesses do not represent more than a mechanism to allow them to finance these kinds of family and community improvements. The credit in itself permits the program to enter and work with the community, but in no sense will it promote the idea of (strictly) a credit program. It is recognized that the major part of the work toward social goals will occur after delivering credit, but this doesn't diminish its primary position within the program." (Programa, page 4).

association as a context for organizing to receive family planning, medical, and hygiene information and services.

The market vendors held a similar program-wide meeting in 1983, in which 300 attended, the majority being women. Their hopes and concerns were similar to the microentrepreneurs; however, in our interviews the vendors seemed less motivated to continue organizing common activities, at least through a **micronegociante** association.

As an outcome of one of the **encuestas participacion** conducted by an ACP social worker during our evaluation, women microenterprise clients initiated a microbusinesswomen's association. Since last year's program-wide meeting hadn't resulted in concrete activities, the women decided to take matters into their own hands to organize a **feria** to sell their products and to promote popular education courses among PROGRESO's female business owners.

Both microenterprise clients and vendors have suggested that PROGRESO participants initiate a mutual insurance fund, to help beneficiaries in crisis to make their payments. The fund could also serve to meet other emergencies like medical expenses.

Participants have already shown that they are willing to help each other when there is a need. In one of the vendors groups a member was killed in an accident, and her three children were cared for by the group; the other members also paid her loan quotas until the loan was paid off. Another group took up a collection for a mother in the group who had just given birth. When one group member was robbed, members of other groups took up a collection to help her pay her quota. Many of the groups discuss organizing a **posta medica** (health center) for PROGRESO members.

As mentioned previously, microenterprise clients as well as vendors (61% of the female microenterprise and 58% of the male), favor program participation in groups although they don't necessarily mean that they want to participate in a credit group; by "group membership" a variety of relationships are implied.

Primarily, business owners want to "join together" with owners of similar businesses, in whatever form that may take. Clients suggested strengthening the emergent microenterprise association, forming bulk purchasing groups, working *en sociedad* (in partnership) with others involved in similar businesses, or strengthening linkages between production units to avoid working with intermediaries.⁵¹ Clients remarked, "The group allows us to orient each other;" "There is a sense of support in a group, and I would like to learn from others who have more experience than I do in this line of business;" "We could do better working in coordination rather than individually, since we are selling to the same buyers."

SUMMARY

In summary, PROGRESO's effectiveness in reaching women as well as men in Lima's Southern Conc demonstrates that informal sector businesses can benefit from small amounts of credit administered in a community-based setting. PROGRESO's real strength is its efficiency in reaching large numbers with minimal staff expenses while maintaining regular contact with clients through beneficiary meetings.

The program's unrealized potential lies in:

- increasing self-sufficiency through technical assistance and interest income,
- strengthening its technical assistance services,
- structuring participatory mechanisms more formally,
- referring beneficiaries to local educational or vocational training opportunities,
- tightening the organization of staff functions.

⁵¹For example, a microbusinessman who produces parts for bronzed desktop pen-holders prefers to work directly with the microbusinessman who produces the marble bases for the pen-holders, rather than the present arrangement where each man sells his work to an intermediary who also controls marketing of their products.

ACP's plan to offer management training courses throughout Lima and to contract capacitation services for women promise to strengthen its weaker areas.

Recent innovative elements of PROGRESO's methodology (six-month repayment periods, required technical assistance, higher interest rates) have yet to be evaluated but should be closely monitored for effects on clients' businesses and repayment patterns.

ACP's most important assets are its continued willingness to experiment with methodologies, and its demonstrated commitment to community-based solutions.

RECOMMENDATIONS

I. Recommendations for Strengthening Women's Participation:

1. Before women's training program is implemented, plan a training period for promoters, coordinating closely with PROGRESO staff and administrators.
2. Establish referral services through ADIM and/or other women's groups, including an outreach network with popular education and vocational education groups (ACOMUC, PERUMJER, ALIMJPER).
3. Consult CESEAL (Centro de Servicios en el Sector Social) for popular business education materials.
4. Use general popular education materials from El Centro para la Promocion de la Mujer: Flora Tristan.
5. Hire at least one female staff person in each program component.
6. Following the ACOMUC example, experiment with methodology using a grassroots promoter; combine professional staff with representatives of beneficiary groups for promotional work and initial review of loan applications. Coordinate this effort with the administration of women's training contract.
7. Explore new areas for women's productive activities: consult Hernando de Soto (Institute for Freedom and Democracy, Lima) for potential local markets receptive to informal sector women's productive capacities.
8. Support a microenterprise women's association by providing staff assistance and a locale. Consult PROCESO on how they develop and strengthen group cohesion in their Northern Cone

women's groups.

II. The following general recommendations are intended to strengthen program administration in order to benefit both male and female participants:

1. Systematically monitor effects of new technical assistance approach and new six-month repayment policy on clients' businesses. Incorporate the monitoring system into technical assistance content--i.e. clients "track" their own businesses.
2. Create a staff manual with clear definition of staff roles; establish a formal feedback mechanism for communication between staff and administrators.
3. Implement a policy of brief regular staff visits to all clients' businesses, financed through technical assistance monies.
4. As part of project self-sufficiency assessment, undertake a cost-benefit analysis of the Banco Weise relationship.
5. Seek more local private sector support and involvement in project, even if simply in an advisory capacity.
6. Experiment with incentives in loan terms for businesses that hire more employees.
7. Create a one-year loan option with a higher interest rate.
8. Support vendors who want to buy in bulk cooperatively by providing a place to meet and minimal technical assistance.
9. Following project director Orderique's suggestion, experiment with loans to small groups of microenterprise clients who plan to or already work in ~~sociedades~~ (partnerships). Workers involved in different aspects of production of the same product often work through the same suppliers and share the same clients or markets. Working ~~en sociedad~~, these producers might gain more control over their own costs and pricing of their products.
10. Implement a follow-up meeting one year after participants' initial meetings to review their group and community objectives.
11. Formalize feedback or grievance procedures within the context of existing beneficiary meetings.
12. Program administration must somehow account for the rapid informal spread of gossip and rumors regarding changes in program policy. For example, while some vendors insist that they were promised interest rates wouldn't rise this year, others insist that they have just risen by several percentage points. The

distressing news buzzes in the markets and the PROGRESO promotor is overwhelmed by anxious questions wherever he goes. In fact, the vendors interest rate did increase this spring by .25% per week, but that reality was much less disturbing to clients than the rumors that flew in the markets until group members were able to speak directly with the PROGRESO promotor or attend a meeting for clarification. Perhaps a weekly bulletin that client representatives could pick up in the PROGRESO office would assure beneficiaries that they will be well-informed of any changes in program policy.

13. Consult with Banco Industrial's teachers in commercial courses for ACOMUC clients (through Ministerio de Industria de Turismo Integral, Direccion General of Artesania).

14. Explore one client's suggestion for children's courses teaching concepts of efficiency, use of tools, etc. to be taught by program beneficiaries.

15. Through training contract, explore clients' goals for their businesses; do they hope to:

- maintain current levels of production or commerce?
- increase personal income?
- improve working conditions?

How can project design and training be modified to account for different goals? For example, how can increased efficiency (vs. simple expansion of current production technique) be taught?

APPENDICES

APPENDIX I: RESEARCH METHODOLOGIES

Characteristics of sample:

Part of our sample of PROGRESO beneficiaries was selected randomly, and part was selected for convenience, since some groups of vendors were already scheduled to attend their regular meetings at PROGRESO. Of the market vendors group, our non-random sample consisted of fifty female vendors who were visited in their market stalls by the evaluator; these clients were visited according to convenience of location--approximately 10 vendors were individually interviewed in each of five markets, and several of these women were members of the same groups. In the case of a group of vendors in serious debt, remaining members of that group and three members of another group were interviewed together to explore the reasons for the group's problems. Another randomly selected thirty women and nineteen men were briefly interviewed for income data by a PROGRESO staff member. This random sample group represents 14% of the female and 14% of the male population in the market vendors component of PROGRESO's program.

Female microenterprise clients--clients who borrow individually rather than in a credit guarantee group--interviewed in our random sample numbered 23, or 36% of the total population of women in this program component; male microenterprise clients

numbered just twelve, or 3% of the male group in this component.⁵²

Another nonrandom sample of female microbusiness clients met together at a meeting specially convened for the purposes of an **encuesta participacion**--a term ACP applies to its technique of participatory interviewing. All women microenterprise clients were invited to this meeting; of the 64 women with loans, 26 came to the meeting.

Three different sets of market vendors attending their regularly scheduled meeting to receive loan checks were also interviewed in three **encuestas participacion**--with an average attendance of 42 per meeting. These groups also represent a nonrandom sample, but we did have the advantage of talking with them without the self-selection effects of their having voluntarily come to a special "meeting" as in the case of the microbusinesswomen. Additionally, males were present in the three vendors meetings, and this stimulated critical discussion of women's special position in a program context like PROGRESO's.

Data Collection:

The evaluator spent three weeks with PROGRESO staff and beneficiaries in May 1983. A total of seven other agencies and organizations also assisting women in Lima's **pueblos jovenes** were interviewed for information about their methodologies,

⁵²Our microenterprise client sample was selected randomly from clients who have participated for more than six months in the program. The sample groups compare closely to their counterpart Progreso client populations in age, years of education, years of experience, income level, and type of business. However, members of our sample were different from the "average" Progreso client in that they tended to have more experience with the program, with 35% of the sample female microenterprise owners already borrowing for the second time, while 18% of Progreso's female microenterprise clients have actually received their second loans. Overall, however, the sample has the same average number of months (9.5) with the program as the client population. See Appendix IV for more specific comparisons of the sample group with the overall client population.

successes, and failures.⁵³

Together with ACP staff members, a questionnaire was developed and pretested for administration to a sample of PROGRESO's microenterprise clients. A female Peruvian economist with previous interviewing experience in the pueblos jovenes was selected to assist in interviewing of microenterprise clients.

Microenterprise clients--those with production businesses--were interviewed using a questionnaire format with some closed and some open-ended questions,⁵⁴ while market vendors were interviewed less formally. Fifty of the market vendors conversed with the evaluator in their market stalls. During these 15-20 minute conversations, aspects of the program administration and policy, and any positive or negative changes in the client's vending business were discussed.

The **encuesta participacion**, a group interview method that has yielded accurate results in ACP's experience, was suggested by the PROGRESO director. A female sociologist with extensive community development experience conducted two of these highly participatory meetings. The other two were conducted by the president of a local women's development organization (ADIM) and by the evaluator. During these meetings, aspects of women's work patterns (i.e. how the woman divides her day between home, family, and work) were explored, along with roles and money-management vis-a-vis male counterparts, time constraints faced by women, and special needs like nutrition, family planning and hygiene information. Child-care, transportation and housing problems,

⁵³Included in the following list of thirteen are agencies visited that do not work specifically with women in **pueblos jovenes**, but which were interviewed for information about their technical assistance methodologies: ACOMUC (Asociacion de Cooperacion con la Mujer Campesina), ADIM (Asociacion de Mujeres en Desarrollo), El Equipo Para el Desarrollo Humano, Perumujer, PROCESO, El Centro Para la Promocion de la Mujer Flora Tristan, OXFAM England, CESCA (Huancayo), Catholic Relief Services, Lutheran World Relief, INPET (Instituto Peruano de Empresas de Propiedad Exclusiva de sus Trabajadores), CENDIP (Centro de Investigacion y Promocion Popular), SEPAS (Servicio Evangelico de Accion Social).

⁵⁴See Appendix III for copy of questionnaire.

and women's goals for their businesses in relation to their goals for their families were also priority issues. During the meetings, aspects of the loan program were discussed insofar as they helped or hindered women from investing and working effectively.

A serious problem affecting our collection of income data is Peru's soaring inflation rate--120% this year. Many informal sector business owners don't keep account books, and prices for their materials or stock continue to rise, so the value of their inventory is never static. In estimating their monthly incomes, business owners had difficulty accounting for these constant cost/price fluctuations. The income estimates we report here are just that--the owners' estimates of their net income. These income figures were compared to pre-loan income figures by translating each into their dollar equivalents using the appropriate exchange rates. In this way, percentage increases or decreases in income were determined. This method is limited in its validity since the real buying power of a dollar-equivalent figure a year ago is not the same real value of even that same dollar-equivalent today.⁵⁵ A liter of cooking oil available last year for the equivalent of \$1.70 today costs \$2.20.

⁵⁵ACP developed a more accurate method for determining changes in income, but the method requires periodic collection of detailed data on clients' businesses. This method involves comparing the business's margin of utility (ratio of sales to costs) over time, and determining a percentage increase or decrease in this margin.

APPENDIX II: CASE STUDIES

1. Group 30

A group of market vendors working in El Mercado Heroes de la Guerra de Pacifico near San Juan de Miraflores took its first PROGRESO loan in April of 1983. All of the members sell **abarrotes** (beans, lentils, rice, staples) in stalls within calling distance of each other. One other group member also carries household items like soap, detergents, canned goods, oil, cold drinks and sweets.

The group's most recent loan, the third, was for \$300, in August of 1983. The group is still unable to pay its third loan although it managed to pay the first two late. The original group had constant troubles because two of the members always claimed they were sick and couldn't pay the coordinator. After borrowing for the third time, one member lied, saying she was sick but she disappeared and never came back, while another dropped out. After that, three members were using the loan money of five members, then another disappeared and by October 1983, two were left in the group. They didn't have enough money to pay the quota and they were left with a debt of \$195. The two who are now left with the debt tell us they simply can't pay--there is too much competition in the markets, especially with **ambulantes**, the hawkers who sell in different locations and on the streets, rather than in fixed market stalls.

The PROGRESO promoter has been to visit this group five times since last October, and two letters have been sent to them, asking them to finish their payments. The two remaining members have made an attempt to pay, but they still owe \$140. Although they felt that PROGRESO was a great idea originally, they find the responsibility of group membership is too risky.

2. Group 133

Maria, the coordinator of Group 133 has a large **abarrotes** stall; she sells animal feed and household items like detergent, soap, toothpaste, and so forth in addition to legumes, rice, and other staples. She carries a lot of merchandise and has big plans for enlarging her stock, although she claims that she's having a rough time making her loan payments.

This is the second group of market vendors that Maria has borrowed with. All of its members work in the same area of this large and bustling market. This group recently formed and already some members don't pay the coordinator by Monday afternoon, so she has to go around to collect from them on Tuesday morning, losing a lot of her own business. This was a problem with her previous group, and because of these conflicts, that group fell apart. The coordinator and one other member of that group decided to form another group with women they knew well,

and the new group has received two loans.

Most recently, the members have borrowed \$116 apiece. Although some are late getting their payments to the coordinator, she manages to make the group's weekly payment on time and the group is in excellent standing. The entire group is interested in a loan for housing improvement, and they hope to be able to borrow for housing within the same group they have already developed.

3. Micro-empresaria: Rosa Maria Cisneros

Rosa Cisneros owns a bakery where she has worked and lived for twelve years. The bakery's assets are worth \$4075, including an *amazadora* (dough mixer), *sobadora* (kneading machine), y *cortador* (slicing machine), and two ovens. At 49, she is the single parent of four children, all of whom study part-time at the University. She and her family make bread, breadsticks, and sweet breads with anise. Her three sons work in the bakery itself and her daughter works at the counter. When I visited the store on a quiet afternoon, Doña Cisneros' daughter was bent over her physics books behind the cash register.

Before receiving a PROGRESO loan in October of 1983, income from the bakery averaged \$153 and she had just one permanent employee. Now it has increased to \$250--an increase of 63%--and she has four full-time employees. Doña Cisneros used the first PROGRESO loan of \$738 just to buy flour. She still works the usual eight hours a day, but with new employees, Doña Cisneros keeps the bakery operating day and night, seven days a week. When she is not using them, she rents her machines and ovens to another baker.

Doña Cisneros hasn't saved any money; she feels she makes a better return on her earnings by reinvesting in production. She plans to borrow \$1,000 for her next PROGRESO loan. Another goal is to borrow, hopefully as an individual, from PROGRESO for a housing loan. After living all these years at the bakery, she would really enjoy building a *casita* (little house) for her old age.

Doña Cisneros is interested in attending a business management course if it were offered at a convenient time. In general, she feels that most of PROGRESO's beneficiaries don't understand the *charlas* (the instructional talks) given at beneficiary meetings. She cites a need for more orientation, especially for women.

4. Lourdes Chavez

Lourdes Chavez is thirty, a single mother with five children. She received nine years of education and was trained as a cosmetologist. She has a beauty salon in her home, and during part of the year makes *piñatas* and Christmas ornaments. She has been working for four years as a hairdresser, and has been making

ornaments for many more years. She says, "With these different sources of income, I know there will always be something coming in. I like to keep busy." During the months between October and December she hires ten people to work part-time, usually neighbors, to help make ornaments.

Lourdes received her first PROGRESO loan in August of 1983, when she was earning 23% less than her present income of \$200. She now has two full-time employees, one more than she had before the loan. She wants to borrow \$1,000, but feels she could only repay that if she could pay over the course of a year rather than six months. She is also interested in the possibility of borrowing in a group. Lourdes feels that savings is important; she not only has her own savings account, but each of her children has an account in his name.

Also trained as a nurse auxiliary, Lourdes works on Sundays for her political party, administering childrens' injections and other basic health services. She has the official responsibilities of Social Worker and Women's Representative for the local chapter of her political party.

5. Elena Rosa Landrau

Elena is thirty years old, the mother of three children. Widowed three years ago, she has learned to manage her husband's metalwork business, which is located in their home. When he died, she didn't know anything at all about the work or the business; but his employees "taught her the business," and she even got involved in the technical work for a time after his death. Now she just manages the shop. She started out with two employees, making equipment for the repair of gas stoves, knobs and handles for lamps and furniture, and other machinework in bronze.

Elena received her first PROGRESO loan in June 1983, and now is repaying her second loan. Since the loan, she has managed to put away some savings, her income has increased by 121% (to \$267), and she has hired one more part-time employee to work with her original two workers. She finds herself working up to four hours a day more now that production has increased.

Elena wants to borrow \$2,000 next time, but prefers to borrow within a group scheme and over a longer repayment period. With the next loan she hopes to buy another lathe. She also plans to move into production of new metal pieces: lamp switches, chandelier parts and other electrical pieces.

Although she has hired an accountant, Elena wants to learn how to manage her own books, as well as to market her products and organize production more efficiently. Presently, she sells all her work to just one client, a wholesale electrical parts dealer.

Elena works hard so that she can help her children to get a better education than she had. She also speaks of wanting to improve community life, especially by planting trees and

improving the appearance of her young neighborhood, and organizing more community activities.

APPENDIX III: PROGRAM CONTEXT

Urban conditions, migration, inflation:

Peru's agricultural sector diminished from 24% of the GNP in 1950 to 12% in 1983. Meanwhile, Peru's industrial sector grows by 6% each year. As in many Latin American countries, the shift from an agricultural to a cash-based economy in Peru has meant that each year more and more *campesinos* and peasants take up life in metropolitan Lima. Forty years ago, 9% of Peru's population lived in the metropolitan Lima area; today, 28% of the nation's population (5.4 million) is in Lima.

The city's infrastructure has been unable to manage the influx of arrivals during recent years, and residents of Lima's *pueblos juvenes* (literally, young villages), representing 45% of Lima's total population⁵⁶ have had to live with a bare minimum of services. In 1981 only 27% of Lima's houses received all three services of potable water, electricity, and sewage. Schools have also been inadequate. Eighteen percent of the population is still nonliterate⁵⁷ and the average level of education is fourth grade.

"Informal sector" businesses have sprung up in these communities to compensate for lack of formal employment opportunities. Called "clandestine" because they are not licensed businesses and therefore pay no income taxes, these businesses account for 30-40% of national production, and 25% of the economically active population in Lima alone.⁵⁸

Fernandez cites INE (Instituto Nacional de Estadística) figures reporting that informal production and commerces account for 75% of Lima's economic activity.⁵⁹ Informal businesses make up 60% of the national economy, according to a recent study

⁵⁶Fernandez, Guillermo. Estudio Evaluativo del Program Progreso, Accion Comunitaria del Peru, January 1984, p.6.

⁵⁷Demographic data is drawn from the National Office of Statistics, Lima, Peru, 1984.

⁵⁸Lima's PEA is approximately 400,000. See Fernandez, (op.cit. p.2) of Subprograma Microempresas, citing Instituto Nacional de Planificacion (INP).

⁵⁹Fernandez, op.cit. p.2.

by Hernando de Soto⁶⁰. These businesses are normally located in the entrepreneurs' homes and make heavy use of family labor--22% of total employment in the sector, according to Fernandez.⁶¹ According to de Soto, 58% of these informal sector businesses in Lima are commerces, 17% are tiny industries, and 25% are services, including transportation.

Of the majority involved in commerce, most pay a daily or monthly fee to a municipal association for the rental of a market stall--varying from 300-1000 Soles (10-30 cents) daily, or they pay into a rotating fund, in addition to a monthly market association membership fee. Many of these vendors build their stalls and pay a rental fee without the security that they will be able to remain on the "invaded" land the market occupies.

The informal businesses assisted by PROGRESO strengthen the entire economy's structure. Hernando de Soto's Institute for Liberty and Democracy⁶² found that 58% of all informal businesses acquire goods and materials through formal sector businesses, so the informal businesses effectively serve as a "mechanism to increase the volume of sales and the utility of legal businesses."

With access to formal credit, these businesses might be able to grow sufficiently to enter the formal economy, but most remain clandestine for several other reasons. First, in order to qualify for a business license, records of bookkeeping are required, with an annual declaration of income and financial statements for three consecutive years. Business licenses cost money, the worksite must be inspected for safety, and least attractive are the taxes the formal sector business owner must pay. Local experts cite that these business owners have no incentive to repay their credit obligations, and the Banco Industrial, which services small businesses, suffers with a 62% late payment rate.

Unemployment and Underemployment:

Effects of natural disasters in 1983 are still felt throughout the Peruvian economy. During that year, crises including droughts, floods, and weak export markets affected agricultural production and export earnings which decreased by \$400 million. The Peruvian Gross Domestic Product dropped 10% in 1983, inflation exceeded 100%, and domestic credit dropped by 13%. Government tax revenues decreased by more than 20%, and the public sector deficit exceeded 9% of the Gross Domestic Product. Fifty percent of the national population lives below the poverty level.⁶³ The inflation rate,

⁶⁰de Soto, Hernando. Institute for Freedom and Democracy, Lima, 1984.

⁶¹Fernandez, Guillermo, op.cit., 1984.

⁶²Cited in *La Prensa*, Lima, November 22, 1983.

⁶³Agency for International Development, Country Report, Lima Peru, 1984.

reaching 120% this year, reflects the economy's troubles that affect the formal sector labor market as well as the informal sector.

Open unemployment stands nationally at 8%, while underemployment is 49 percent. Less than half of the economically active population is adequately employed.⁶⁴ The Peruvian worker's salary averages \$50 per month for a six day work week, while the basic basket of goods for a family of five costs \$89. Clearly, Peru's employment situation is in crisis.

Women's Program Context

Residents of Lima's **pueblos juvenes** have a unique reputation as highly political groups experienced with community organization because they have had to fight together for their rights to their land, community services, and market sites. Most community leaders are men, but the market associations have a core of strong female leadership. The PROGRESO director observes that many of the women vendors participating in the program are also involved in market leadership.

Peru has a rich history of cooperative activities--from the indigenous practice of collective agricultural production in the highlands to worker-owned cooperative industries fomented during the Velasco era (1968-1976). A number of programs geared to improving women's income-generating potential have emerged in Lima's **pueblos juvenes** in recent years. Many of these programs incorporate **capacitacion** (training) or educational features and support services that supplement the income-generation strategy. Some women's programs focus exclusively on **capacitacion** in educational and health areas, in community organizing or legal rights. None of the urban programs targeting women includes a credit component.

Some of the organizations' **conscientizacion** (consciousness-raising) strategies involve integrating women as more active participants in existing barrio organizations. Women in the barrios are organized as committees attached to the existing barrio structures and dedicate themselves to particular issues of concern to the communities, like sewage, auxiliary medical services, or school construction.

Income-generating projects for women in Lima's **pueblos juvenes** seek to enrich and formalize the expertise women have already developed in domestic small-scale productive activities: sewing, handwork and crafts, dollmaking, knitting, etc. One project incorporates an educational childcare component into the production-oriented project.

In Peru's rural areas, agricultural and hand-craft cooperatives are designed to increase women's productive capacities and organizational skills. Many of these programs have a credit component,

⁶⁴Data drawn from: Instituto Nacional de Estadística del Peru.

usually in the form of a rotating cooperative fund.

Accion Comunitaria del Peru History

Accion Comunitaria del Peru was formed in 1969 by Peruvian businessmen, stating in their constitution that the objective of ACP was "to contribute to the solution of socio-economic problems unique to urban concentrations in precarious conditions like the marginal barrios, through promotion and development of all types of activities related to the principles of community action, especially training, training and organization, social services, education, community work and in general, socio-economic development."⁶⁵ Since 1969, Accion Comunitaria del Peru has worked in Lima's *pueblos juvenes*, actively promoting projects in urban development: potable water, sewage, drainage, electricity, education, legal assistance for land rights, and rural artisan cooperatives.

⁶⁵El Comercio, special Accion Comunitaria del Peru issue, 1983.

APPENDIX IV: INSTRUMENTS

A. MICROENTERPRISE CLIENTS

DATOS BASICOS SOBRE LOS CLIENTES ENTREVISTADOS

		Columna
1. Numero de la entrevista	___ ___	1-2
2. Numero de la microempresa o grupo	___ ___ ___	3-5
3. Tipo de negocio (1=si, 2=no)		
servicio	___	6
fabrica	___	7
comercio	___	8
4. Edad	___ ___	9-10
5. Jefe de familia (1=si, 2=no)	___	12
6. Numero de familiares dependientes	___	13
Sexo (M=1, F=2)	___	14
Años de experiencia con este negocio	___ ___	15-16
Meses de participacion en PROGRESO	___ ___	17-18
Numero de prestamos recibidos de PROGRESO	___ ___	19-20
Numero de prestamos escalonados	___ ___	21-22
Ingreso neto mensual	___ ___ ___	23-26
Cambio en ingreso mensual desde la encuesta inicial	___ ___ ___	27-29
Numero de empleados ahora	___ ___	30-31
Numero de empleados nuevos (en total)	___ ___	32-33
Años de educacion	___ ___	34-35

ESTUDIO SOCIO-ECONOMICO DE LOS MICROEMPRESARIOS DEL PROGRAMA PROGRESO

I. DATOS PERSONALES

Nombre _____ Edad _____
Direccion _____
Lugar de trabajo _____

II. DIFUSION Y CONOCIMIENTO DEL PROGRAMA

(1=si, 2=no)

1. ¿Como se entero de "PROGRESO"?

- a) Por sus amigos _____ 1
- b) Compañeros de labor _____ 2
- c) Por el promotor _____ 3
- d) Otro _____ 4

2. ¿Fue Ud. a la oficina, o vino el Promotor donde Ud. trabaja o vive?

- a) Oficina _____ 5
- b) Casa/trabajo _____ 6

3. ¿Fue Ud. a la oficina?

- a) Sola _____ 7
- b) Con una amiga _____ 8
- c) En grupo _____ 9

4. Si el Programa PROGRESO tuviera que contratar otra persona para trabajar, esta persona podria ser:

- a) De una comunidad _____ 10
- b) Una persona profesional _____ 11
- c) Mujer _____ 12
- d) Hombre _____ 13
- e) No importa el sexo _____ 14

III. DEDICACION AL PROGRAMA PROGRESO

5. ¿Con que frecuencia visita Ud. la oficina de PROGRESO?

- a) Mas de 2 veces por semana _____ 15
- b) 1 o 2 veces por semana _____ 16
- c) 2 o 3 veces por mes _____ 17

d) Menos de 2 veces por mes	_____	18
6. ¿Esta perdiendo ganancias cada vez que va a la oficina de PROGRESO?	_____	19
7. ¿Cuanto pierde?		
a) _____		20
b) No pierde nada _____		21
8. ¿Quien cuida a sus niños cuando va a la oficina de PROGRESO?		
a) _____		22
b) _____		23
9. ¿Paga Ud. por el servicio?	_____	24
10. ¿Que momento es mas conveniente para visitar la oficina?		
a) En las mañanas	_____	25
b) Al mediodía	_____	26
c) En las tardes	_____	27
d) Los sabados	_____	28

IV. APOYO TECNICO-FINANCIERO DEL PROGRAMA PROGRESO

11. Monto del Credito que necesita en su negocio		
a) De S/. 100,000 hasta 200,000	_____	29
b) De S/. 300,000 hasta 500,000	_____	30
c) De S/. 600,000 hasta 1,000,000	_____	31
12. ¿Que le parecen los intereses?		
a) Muy altos	_____	32
b) Comodos	_____	33
c) Comentarios: _____		
<hr/>		
13. Tomando en cuenta que el credito es mas caro si el plazo es mas largo, ¿prefiere Ud. pagar las cuotas?		
a) Diarias	_____	34
b) Semanales	_____	35
c) Quincenales	_____	36
d) Mensuales	_____	37
e) Cada dos meses	_____	38
14. ¿Como le gustaria participar en el Programa PROGRESO?		
a) Individualmente	_____	39

b) En un grupo	_____	40
Por que?_____		

15. El Promotor viene a visitar su negocio		
a) Una vez por semana	_____	41
b) 2 o 3 veces por mes	_____	42
c) 1 vez por mes	_____	43
Comentarios:_____		

16. ¿Quién le prestaba dinero antes de recurrir a PROGRESO?		
a) Prestamista	_____	44
b) Banco	_____	45
c) Cooperatiava	_____	46
d) Mutual	_____	47
e) Otro	_____	48
17. ¿Desearia prestamos de mayor monto de dinero?_____		
		49
18. ¿Hasta cuanto desearia el prestamo?		
a) Menos de 1,000,000	_____	50
b) De 1,000,000 hasta 2,000,000	_____	51
c) De 3,000,000 hasta 4,000,000	_____	52
d) De 5,000,000 hasta 6,000,000	_____	53
e) Mas de 6,000,000	_____	54
f) Otro S/_____		55
19. ¿Que proyecciones tiene Ud. para su negocio?_____		
		56
20: ¿A veces tiene que empeñar maquinaria u otras cosas para poder pagar la cuota del Programa PROGRESO?_____		
		57
21. ¿De vez en cuando tiene que prestar dinero de un prestamista para pagar la cuota?_____		58
22. ¿Cuanto se presta?_____		59

V. IMPACTO DEL PROGRAMA PROGRESO EN EL DESARROLLO INTEGRAL DE LA FAMILIA

23. El prestamo lo emplea en:
- a) Compra de mercaderias _____ 60
 - b) Compra de materia prima _____ 61
 - c) Compra de maquinaria _____ 62
 - d) Arreglo del local _____ 63
 - e) Pago del personal que trabaja _____ 64
 - f) Otro _____ 65
24. ¿Su esposo tambien tiene un prestamo del Programa PROGRESO? _____ 66
25. ¿Cuántas horas trabajaba antes del prestamo?
_____ 67
26. ¿Cuántas horas trabaja ahora?
_____ 68
27. ¿Cambio en numero de horas trabajadas?
+ _____ 69
- _____ 70
28. ¿Cuántas horas por dia dedica Ud. a la casa?
_____ 71
29. ¿Quién cuida a sus niños cuando esta trabajando?

_____ 72
30. ¿Cuanto paga por este servicio? _____
31. ¿Tiene Ud. ahorros en alguna Institucion? _____ 72
32. ¿El credito para su negocio le permite vivir mejor? _____
¿Por que? _____
_____ 73
33. ¿Que otros servicios le gustaria que brindara el Programa PROGRESO?

34. ¿Como se puede mejorar el Programa PROGRESO?

- | | | |
|--|-------|----|
| a) Establecer oficinas mas cercanas a su comunidad | _____ | 74 |
| b) Mas orientacion | _____ | 75 |
| c) Crear un servicio de atencion a los niños | _____ | 76 |
| d) Establecer un servicio de orientacion academica a los niños | _____ | 77 |
| e) Organizar Centros de servicios de alimentacion y lavado de ropa, etc. | _____ | 78 |
| f) Crear un Comite de Micro-Negociantes/Micro-Empresarios de apoyo al Programa PROGRESO y a la comunidad | _____ | 79 |
| g) Ampliar las cuotas a plazos mas largos | _____ | 80 |
| h) Ampliar el Programa en otros lugares de la ciudad | _____ | 81 |
| i) Dar empleo a mas asesoras para trabajar con mujeres | _____ | 82 |
| j) Organizar Cursillos | _____ | 83 |
| k) En que temas _____ | | |

35. Por favor escuche:

Una señora y su hija trabajan juntas en su casa, fabrican ropa con una maquina de coser.

Por las mañanas mientras su mama esta cocinando, Maria corta la tela, por la tarde la mama cose con la maquina, pero Maria tambien quiere coser con la maquina.

Hay tela suficiente para las dos para coser todo el dia.

Como se puede mejorar la produccion de ropa en esta casa?
(Si la respuesta indica la idea de usar la maquina por la mañana ademas de la tarde, es 1; si no indica esta idea, es 2.)

B. MARKET VENDORS

ENCUESTA DE MICRONEGOCIANTES

PROGRESO MAYO 1984

Nombre _____ ¿Cuantos prestamos ha recibido? _____

Actividad economica _____

Masculino/Feminina _____

Jefe de familia (si/no) _____

Años de educacion _____

LAS VENTAS HAN SUBIDO / BAJADO

UN POCO

MUCHO

REGULAR

LOS INGRESOS HAN SUBIDO / BAJADO

UN POCO

MUCHO

REGULAR

TIENE AHORROS? SI / NO

POCO

MUCHO

REGULAR

APPENDIX V: COMPARISON OF SAMPLE WITH PROGRAM POPULATION

Our random sample of 23 female and 12 male microentrepreneurs and 49 market vendors compares to PROGRESO's overall client population as follows:

- percentage of overall client population: 14% of both male and female market vendors; 36% of female microentrepreneurs, 3% of male microentrepreneurs;

- age: average is about the same as the overall population;

- head of household: approximately the same percentage as the overall population;

- number of dependents: no data on overall population;

- years of education: no data for overall population;

- years of experience: sample of men have an average of one year more experience and sample women have 1.5 years average less experience;

- experience with PROGRESO program: on the average, sample microenterprise women had more experience with program than a typical client (35% of the sample women had received their second loan, while only 18% of the female microenterprise project participants have received second loans); the same disproportion was true of the male sample. This was due to the fact that our sample was selected from among women who had received their loans at least six months earlier;

- income increases: in regard to microenterprise income increases, our sample is doing better than the sample of 25 men and women microentrepreneurs interviewed in the fall of 1983; our sample had increased its income by 25% while the fall sample had increased sales (not income) by 15%. (No income figures were reported in that study, just sales);

- number of current employees: sample closely corresponds to overall figures, with an average of 1.5 employees per business;

- no overall population figures for number of new jobs generated.

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