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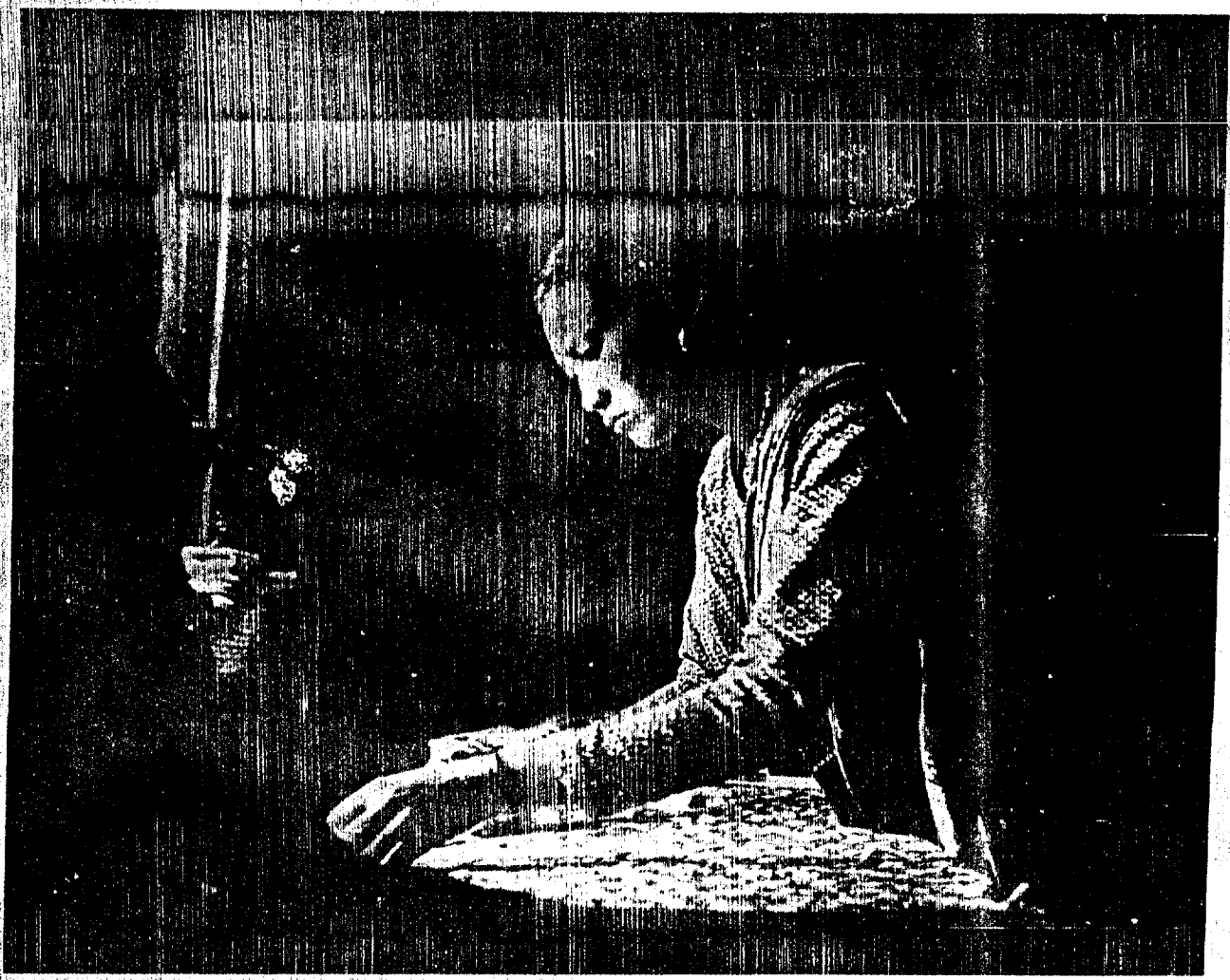
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# Providing Enterprise Development and Financial Services to Women

## A Decade of Bank Experience in Asia

Lynn Bennett and Mike Goldberg



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# **Providing Enterprise Development and Financial Services to Women**

**A Decade of Bank Experience in Asia**

**Lynn Bennett and Mike Goldberg**

**The World Bank  
Washington, D.C.**

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Cover photograph shows a Newari woman cutting cloth for her shawl-producing enterprise in Tangikot, Nepal.

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## FOREWORD

In the Asia Region, increasing women's productivity and earning potential is recognized as an important element in the Bank's efforts to promote sustainable growth and poverty reduction in borrower countries. The number of Bank projects providing enterprise development and financial services (EDFS/W) to women has grown markedly in Asia over the past decade. This paper offers an analysis of trends in the Bank's portfolio, provides illustrative project examples, and reviews strategies employed to improve the productivity of women entrepreneurs.

The paper finds that the rapid growth of EDFs/W projects has been tempered recently by the lack of practical guidelines which would enable Bank Task Managers to translate the policies spelled out in Operational Directive 8.30 into specific project activities. The role of transparent time-bound subsidies and possible institutional arrangements involving the government, NGOs and self-help groups are examined within this context.

This study contributes to the Bank's internal dialogue on design options for such projects and provides a statistical summary of project design trends. The paper concludes with recommendations for improved Bank project design in terms of women clients' access and based on a business-oriented approach to the provision of enterprise development and financial services.



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## ABSTRACT

This paper contributes to the World Bank's internal dialogue on institutional approaches to providing enterprise development and financial services (EDFS/W) to low income clients, particularly women. Patterns and trends in the EDFs/W project portfolio are identified based on project size, direct and indirect targeting mechanisms, financial arrangements and institutional frameworks, country, sector and the year in which the project was initiated.

In both South and East Asia, credit has been the most popular financial service offered in EDFs/W projects. Savings mobilization is less frequently included in project designs, and deposit rates are rarely specified. This indicates a lack of appreciation for the benefits that could accrue to both the clients and the implementing institution by providing savings facilities.

To assist in understanding the targeting and project design choices made by Asia Region EDFs/W projects, enterprises are classified into four stages of development: (i) subsistence enterprises, (ii) new microenterprises, (iii) growth-oriented microenterprises, and (iv) mature microenterprises and small scale industries. These operations differ in terms of the size of investment, the scale of operations and marketing complexity, with women clients most active at the subsistence level of operations. This approach builds on Boomgard's Stocktaking study for USAID and Webster's work on the Bank's small scale industry projects.

The paper analyzes the tradeoffs involved in the choice of a minimalist or an integrated services model of service delivery, and discusses the role of social intermediation in the development of sustainable systems. The paper also notes the impact of the "Levy Report" on financial sector policy and the subsequent Operational Directive 8.30 on project development. The rapid growth of EDFs/W projects has been tempered recently by the lack of practical guidelines concerning implementation of Operational Directive 8.30. There is a need for guidance on what works to enable financial institutions to reach groups that are not adequately serviced (such as women and small farmers) and still maintain strict financial discipline. Also, it is critical that subsidies, which may initially be required to build these mechanisms and "extend the frontier" of EDFs services to women and the poor, are transparent and do not undermine the financial viability and business orientation of the financial institution.

Given the Bank's emphasis on poverty alleviation, the paper concludes that it would be useful to broaden Bank experience over time by encouraging the development of EDFs/W projects as one element in a coordinated country-specific strategy for poverty alleviation. Such an approach would require reconsideration of the structure and sequence of financial, enterprise development and social intermediation services in Asian projects.

## EXECUTIVE SUMMARY

Over the past decade, the number of bank projects in the South and East Asian Regions which provide enterprise development and financial services reaching women (EDFS/W) has grown significantly. This paper reviews EDFS/W project portfolio trends, illustrative project experiences and the strategies employed by Bank-supported projects from 1983 to 1992. The review covers three major types of assistance offered to improve the productivity of women entrepreneurs: (1) financial services, (2) enterprise development services, and (3) social intermediation services.

Patterns and trends in the project portfolio are identified based on project size, the relative centrality of EDFS/W activities to the project's main objectives, direct and indirect targeting mechanisms, financial arrangements and institutional traits. In addition, the project portfolio is examined on the basis of country and regional affiliation, sector, and the year in which the project was initiated. The South and East Asian projects are compared to similar initiatives in Africa, Latin America and Middle East/North Africa Regions.<sup>1</sup>

The data for this review are drawn primarily from Staff Appraisal Reports, which state project goals, strategies, and the target population for a specific project. Forty three projects which offered enterprise development and financial services (EDFS) in South and East Asia from 1983 to 1992 were reviewed. Twenty seven projects in 7 countries mentioned women clients explicitly, and were therefore included in the sample. This sample consists of 17 projects in South Asia (in Bangladesh, India, Pakistan and Sri Lanka) and 10 initiatives in East Asia (in China, Indonesia and the Philippines).

A statistical review shows that in the 1980s most of the projects with EDFS activities which intend to reach women clients (EDFS/W) were in the agriculture sector. The project portfolio began to diversify sectorally in 1991 to include population, industry and infrastructure efforts. In fourteen of the projects EDFS/W activities were the primary focus, while the remainder offered these services as a secondary activity supporting other project objectives. In terms of Bank loan size, there is a wide range in the sample, from a \$14 million initiative in Sri Lanka to a \$360 million effort in India. Total project size varies even more dramatically, from \$18 million to two projects worth more than \$2 billion.

In both South and East Asia, credit is the most popular financial service offered in EDFS/W projects. Of the 15 projects offering credit, 12 apply positive on-lending rates for both short and long term loans. Savings mobilization is less frequently included in project designs, and deposit rates are rarely specified. This indicates a lack of appreciation for the benefits that could accrue to both the clients and the implementing institution by providing savings facilities.

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<sup>1</sup> Data for regional comparisons are taken from Naqvi, 1992. Due to the historical nature of these comparisons, the pre-1991 regional designations are used.

The projects reviewed cover a wide range of female entrepreneurs, from the rural woman in Bangladesh who wants to add a few chickens to the household "portfolio" to the woman in Metro Manila running a small scale garment factory with 30 to 40 employees. Clearly, for such a wide range of potential clients different targeting and design strategies are required. All three services (i.e. financial, enterprise development and social intermediation) may not be necessary in every country and for all clients. For established urban entrepreneurs seeking to expand their businesses, group organization may not be necessary. Similarly, small scale producers with established markets and reliable sources of raw materials may not require enterprise development services. Since all of these services cost money to deliver, project designers must be parsimonious. Based on a thorough knowledge of the target group, they must decide which combination of services and which delivery mechanisms will be most effective in a given setting.

To assist in understanding the targeting and project design choices made by Asia region EDFs/W projects, enterprises have been classified into four stages of development. *Subsistence enterprises* consist of seasonal, part-time diversified economic activities and are typically operated by low income women in risk-averse households. *New microenterprises* are based on a single economic activity which is multi-seasonal and receives routine reinvestment. *Growth-oriented enterprises* adjust production techniques to permit expansion into new product lines and new markets. The fourth stage consists of *mature microenterprises and small scale industries*. Growth-oriented and mature enterprises are predominantly operated by men, and tend to benefit from traditional systems which require clear legal title to physical collateral to back a loan.

In the field of EDFs, there are two models which help to define the strategies, activities and costs involved in a project. The *minimalist model* emphasizes the provision of a few key services, usually including short term credit. The *integrated model* offers an array of enterprise development services (such as business and production-oriented training and on-site technical assistance) to clients, generally along with financial services. These two approaches have important implications in terms of women's access to services, program costs, staffing requirements, and the financial sustainability of the implementing institutions.

However, the most important factor in establishing sustainable EDFs systems which reach women may well be the presence of effective *social intermediation* services, which can be found in *both* the minimalist and integrated models. *Social intermediation*, as it is used in this review, refers primarily to efforts aimed at strengthening socially and economically marginal clients by encouraging them to organize into self-help groups. Through the use of joint liability mechanisms, self selection and peer pressure, these groups make it more feasible for formal financial institutions to reach and serve women and other small, low income borrowers on a financially sustainable basis by reducing risks and transaction costs. In some circumstances, groups can also be a cost effective mechanism for delivery of various types of enterprise development training and market information to micro-entrepreneurs.

A review of South and East Asian EDFs/W projects along the continuum of minimalist-integrated project design reveals that there is an unexplored experiment underway<sup>2</sup>. In China, India, Indonesia and Sri Lanka, both minimalist and integrated approaches are being provided to similar target groups. An analytical comparison of the various projects could yield valuable information on the determinants of institutional sustainability; on the demand for different combinations of services under specific market, cultural and infrastructure conditions; and on the relationship between services required and the stage of development of the target enterprises.

Based on this review of the 27 South and East Asian EDFs/W projects initiated over the past decade, eight conclusions can be drawn:

- (a) The rapid growth of EDFs/W projects has been tempered recently by the lack of practical guidelines which would assist Task Managers in translating Bank policy on financial sector operations spelled out in Operational Directive 8.30 into specific project activities. In particular, there is a need for guidance on what works to enable financial institutions reach groups (like women and small farmers) that are not adequately served, and still maintain strict financial discipline. Also, it is critical that subsidies, which may initially be required to build these mechanisms and "extend the frontier" of EDFs services to women and the poor, are transparent and do not undermine the financial viability and business orientation of the financial institution.
- (b) There are design differences between South Asian and East Asian projects. South Asian initiatives tend to incorporate *NGOs*, while East Asian projects are run solely by *government agencies*. South Asian projects largely rely on *direct* targeting of EDFs/W, while East Asian efforts are characterized by *indirect* targeting. Most of the East Asian projects focus on subsistence enterprises managed by women, while there is greater diversity in the choice of target enterprises in South Asia.
- (c) Three design characteristics seem to contribute to overall project success in terms of women's access. These include (i) training services that recognize the economic constraints and cultural barriers faced by women clients, (ii) the incorporation of women staff members in both promotion and delivery of project services, and (iii) the use of community networks and self-help groups.
- (d) Implementing institutions should be encouraged to adopt a *business-oriented approach* to EDFs/W with an emphasis on financial sustainability, institutional capacity building, and the development of cost-effective delivery mechanisms.

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<sup>2</sup> For a detailed explanation of this minimalist-integrated project design experiment, see Annex 5.

This attribute appears to be related to institutional sustainability and financial performance.

- (e) The concept of "microenterprise" should be *disaggregated* into different stages of development, including (i) subsistence enterprises, (ii) new microenterprises, (iii) growth-oriented microenterprises, and (iv) mature microenterprises and small scale industries.
- (f) Since different services, targeting mechanisms and service delivery strategies are appropriate for different stages of enterprise development, more effective demand driven projects will emerge if the stage or stages of target enterprises are clearly identified during the design process. Most Bank-supported EDFs/W projects which directly target women clients work with subsistence enterprises, while many of those using indirect targeting methods serve mature enterprises. In more restrictive socio-cultural settings, indirect targeting may not be effective in overcoming the barriers faced by women who want their enterprises to grow beyond the subsistence stage.
- (g) Income generation and skills training are the two most popular project objectives in the sample. These may not be the most important objectives in some cases. Access to market information, production, processing and packaging technologies may be critical constraints which also need to be addressed.
- (h) Training activities should be offered to support Task Managers in developing effective EDFs/W activities. The application of the Subsidy Dependence Index (SDI) as a planning tool would be one important step. A review of "best practices" case studies is also needed to distill lessons on groups savings and lending mechanisms, and provide practical guidance on how *both* the social objectives and the efficiency considerations set out in OD 8.30 can be operationalized.

## CHAPTER 1

### INTRODUCTION

Over the past decade, the importance of raising women's economic productivity has been increasingly recognized as a critical element in the Bank's overall strategy for reducing poverty and achieving sustainable growth in borrower countries. One of the fastest growing segments of the Bank's project portfolio over the past five years has been the area of Enterprise Development and Financial Services which target women directly or indirectly (EDFS/W).<sup>3</sup> This review covers three major types of assistance offered to improve the productivity of women entrepreneurs: i) financial services, ii) enterprise development services and iii) social intermediation services. It also documents the delivery mechanisms which have been used by Bank-assisted projects in the East and South Asia Regions to reach women clients with these services.

Two premises form the basis of this review. First, women clients are often overlooked in the design of small and microenterprise projects, yet they are a potentially profitable population. Also, for many Asian countries, as household incomes decline, families depend increasingly on women as income producers. Many of the poorest families are headed by women who are the primary income earners. Under such conditions, well-designed EDFs/W projects and components can make an important contribution to poverty reduction efforts.

This review has three main objectives: i) to identify the sectoral, temporal and subregional patterns in EDFs/W project design, ii) to examine the likely reasons for these trends, strategies, targeting decisions and project designs, and iii) to draw lessons about how the Bank's Asian EDFs/W projects can offer sustainable access to enterprise development and financial services required by women clients. This review is related to Bank research undertaken by Yaron (1992), Von Pischke (1991), Huppi and Feder (1989) and Holt and Ribe (1991). It also draws heavily on data assembled by Naqvi, Holt and Goldberg for a Bank-wide review of EDFs projects with components for women carried out by the Bank's Population and Human Resources Department's Women in Development Division.<sup>4</sup>

The paper consists of 7 chapters. The second chapter presents the methodology used to assemble the sample and collect data. The regional and subregional composition of the Bank's project portfolio and the financial commitments involved are the subject of the third chapter. A comparison with EDFs/W programming in other Bank regions and a snapshot of the project pipeline for enterprise development and financial services are provided. Chapter 4 provides a review of the financial systems used by EDFs projects, while Chapter 5 presents an analysis of the non-financial enterprise development approaches employed. Chapter 6 explores the social

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<sup>3</sup> In the context of this paper, EDFs/W represents those projects which offer enterprise development and financial services which are intended to reach women clients.

<sup>4</sup> "Providing Enterprise Development and Financial Services to Women: Fifteen Years of Bank Experience", Maniza Naqvi, the World Bank, Population and Human Resources Women in Development (PHRWD) Division, May, 1992.

**intermediation mechanisms adopted by projects, and the final chapter provides a summary of the findings and recommendations for future EDFs/W programming in the Asia region.**

## CHAPTER 2

### METHODOLOGY OF THE REVIEW

Projects initiated from 1983 to 1992 were included in the sample if they met two criteria: i) project documents mention women clients as part of the target population and ii) they offer specific information on EDFs activities intended to reach women (EDFs/W). The Asia Information Center's database was used to assemble the list of projects offering enterprise development services, and ASTEN's Project Pipeline database provided a list of projected EDFs projects in East and South Asia from 1993 to 1995. The preliminary list was compared with the list of EDFs/W projects identified in a worldwide review of Bank initiatives by Naqvi (1992). For each project, 41 characteristics were reviewed and included in a data base. These are presented in Annex 1.

The present geographic definition of the Asia region was used to develop the sample for this review.<sup>5</sup> For purposes of analysis, the EDFs project portfolio has been broken down into two regions which include seven countries with EDFs/W projects. The first is the East Asia Region (represented in the sample by China, Indonesia and the Philippines), and the second is South Asia (with EDFs/W projects in Bangladesh, India, Pakistan and Sri Lanka). This approach permits the identification of several significant design variations between the two Asian Regions. A distinction was also made between projects which treat EDFs that reach women clients as a primary project goal and those that offer EDFs/W as a secondary activity.

There are three significant limitations to this approach. First, reliance on Staff Appraisal Reports (SARs) weighs the analysis heavily in favor of plans and designs, rather than actual results. Also, the lack of independent field level reviews makes the analysis speculative in some cases, since methodological changes during implementation in response to the local context cannot be taken into account. The third limitation is the lack of supervisory mission reports in some cases, making it difficult to validate SAR projections with actual data on issues such as the level of women clients' participation.

Two additional constraints are related to potential interactions between project components. This paper separates financial services (credit and savings facilities and policies), enterprise development services (training and technical assistance), and social intermediation services (group formation). However, this approach makes it difficult to analyze the potential synergy between project components which may be responsible for certain achievements or problems.

There are two central measurements of an institution's effectiveness in EDFs/W activities: i) the ability to provide *access* to project resources and services to the target population, and ii) the institution's *financial self-sufficiency* measured in terms of its financial

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<sup>5</sup> This is similar to the methodology used in a worldwide approach by Naqvi for PHRWD in 1992. However, regional comparisons cannot be made due to recent changes in the Bank's regional divisions.



performance and dependence on subsidies. The first measurement is an outreach issue linked to the choice of targeting strategies, while the second is tied to institutional sustainability and financial discipline.

Collection of data on the precise amount of project resources going to women was limited by the targeting approaches used by EDFs/W projects in the Asia Region. In the context of this paper, targeting of EDFs/W can take two forms. The first is *direct or gender targeting*, which establishes quotas or limits access to certain services and resources to women clients. Direct targeting may be more effective when strong cultural and institutional barriers exist which block equal access to a particular group, such as women clients. Data are available for projects which use direct targeting strategies, setting aside a specific amount of resources or reserving services for women clients.

Many projects use *indirect targeting* approaches, which can be very effective in encouraging women to enter mainstream operations. These initiatives structure services and delivery mechanisms in ways which try to overcome the existing economic and cultural constraints faced by women producers. Innovative approaches include the provision of only small, short term working capital loans which discourage better-off borrowers who want larger loans or longer terms. Other indirect methods of targeting are the use of collateral substitutes such as joint liability (through group formation) and provision of training activities which match women's interests and recognize their resource and time constraints. While these approaches help to mainstream women's interests, data collection on the level of women's participation or the level of resources going to women becomes more difficult for projects using indirect targeting strategies since gender-disaggregated data are rarely collected.

Despite these caveats, there are ways to estimate the likely participation levels of women enterprise operators. Proxies for estimating female clients' access to financial services include the project's collateral requirements, its use of individual or group credit mechanisms, average loan size, and liquidity features of savings instruments. Another proxy is the specific uses which clients are permitted to make with the loans they receive.<sup>6</sup> If the type of investment permitted is an activity in which women predominate or at least participate freely, then women are more likely to be involved.

For projects with training components, four characteristics provide insights into the clients and enterprises which are likely to participate. These factors include i) the sectoral focus, ii) training session content, iii) the time commitment required and iv) the level of sophistication of materials employed. An example is the Philippines Cottage Enterprise Finance Project, which provides financial, group formation and training services. This project offers a series of advanced business management training sessions which assume that clients have a high level of

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<sup>6</sup> Examples of linking credit to specific capital investments include China's Guangdong Agricultural Development Project and India's Andhra Pradesh Cyclone Emergency Reconstruction Project (in both cases, credit is for the purchase or repair of fishing boats). Of course, since money is fungible, it is difficult to insure that loans are actually used for the purposes specified.

literacy and numeracy, as well as formal accounting systems. When the female literacy rate is low, women's effective access to such training would be severely constrained.

An indication of a project's interest in providing EDFs to women clients can be measured in four ways: i) the level of women's participation in credit, savings and non-financial activities, ii) the emphasis on social intermediation or group approaches, iii) the existence of training components which take the special needs of women into account, and iv) the implementing institution's commitment to hiring female staff members.<sup>7</sup>

Projects which are successful in terms of financial and social intermediation are characterized by high rates of repayment, low administrative costs per dollar lent, an increasing client to staff ratio, increased savings mobilization, and decreased reliance on external subsidies. Traditional measurements, such as return on equity and annual profits, are less useful in comparative terms, due to important definitional variations.<sup>8</sup>

Projects are analyzed based on the services offered and the ways in which women can gain access to them, and recommendations reflect this concern. In this context, *accessibility* refers to the relative importance of barriers which may block a female client from taking advantage of project services. These may range from household level barriers, often with important implications specifically for women, to policy and infrastructure measures which primarily affect women as members of a given socio-economic group. The related concept of *outreach* refers to the implementing institution's strategies to reach clients, and their ability to adjust and improve their products based on routine interaction with clients. The combination of access and outreach decisions at the design stage are likely to have a direct impact on the sustainability of project activities, making them important points of reference in this review.

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<sup>7</sup> While the third indicator is more important in some cultural settings than others, it can be a useful measure of an implementing institution's interest in reaching women clients.

<sup>8</sup> See Yaron's work on the Subsidy Dependence Index, World Bank Discussion Paper No. 150.

## CHAPTER 3

### STATISTICAL REVIEW OF THE ASIA REGION EDFS/W PROJECT PORTFOLIO

#### Project Portfolio Description

The East and South Asia Regions initiated 43 projects with EDFs components from 1983 to 1992.<sup>9</sup> Of these initiatives, 27 projects (63%) provided EDFs services which reached women clients directly or indirectly. The remaining 16 projects, with no strategies to reach women clients, included 12 in East Asia and 4 in South Asia.<sup>10</sup> This may be a reflection of the more gender neutral EDFs already available in East Asia, as well as the relatively more important cultural and economic barriers to female access to resources which still remain in force in South Asian countries.

The number of EDFs/W initiatives has grown rapidly since 1990, as Graph 1 illustrates. From 1983 to 1988, only 3 of the 7 Asian EDFs projects incorporated approaches which offered services to women clients. In 1989 and 1990, 4 of the 6 EDFs projects recognized the important barriers faced by women clients and adapted project design in some way. In 1991, the number of EDFs/W projects jumped to 15, with 5 in East Asia and 10 in South Asia.<sup>11</sup> Nine EDFs projects were designed in 1992, with 5 taking the limitations faced by women into account.<sup>12</sup>

Of the 27 Asian projects with EDFs/W, sixteen of the projects (59%) were agriculture sector initiatives, suggesting a greater awareness of women's roles in rural production activities. This tendency remains intact in recent years, with 7 agriculture projects in 1991 (47% of the 1991 total) and 4 (80%) in 1992. The sample also includes 4 industry projects (15% of the sample), 5 in the population sector (19%) and 1 infrastructure initiative (3%). Ten of these were in East Asia (37%), while 17 (63%) were South Asia efforts. Larger countries such as India and China have significantly more EDFs/W projects during the ten-year period. A breakdown by region, country and sector is presented in Table 1.

Experimentation with EDFs/W components in industry, population and infrastructure sector projects in 1991 may reflect increased recognition of the potential link between project

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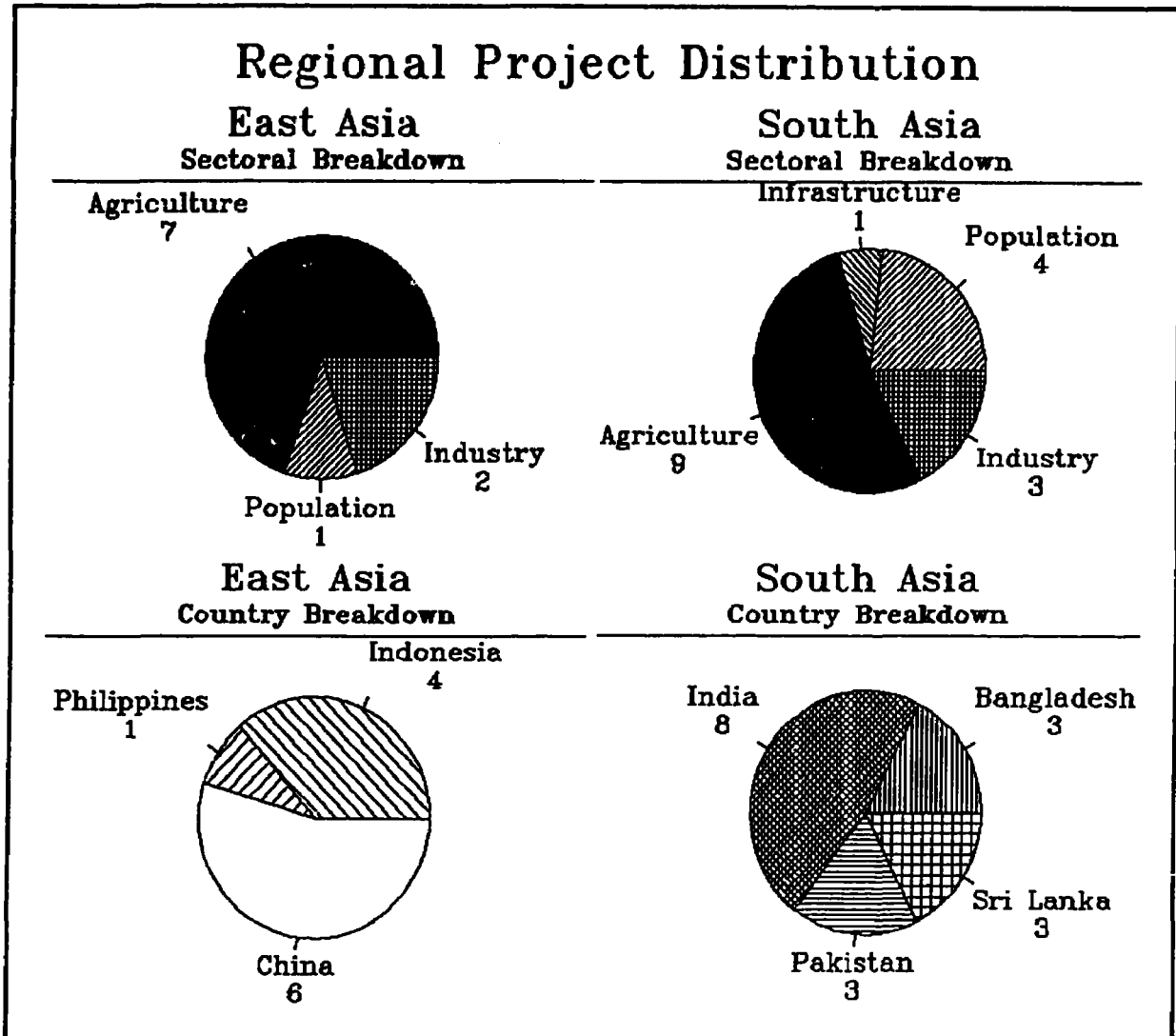
<sup>9</sup> Based on a recent regional reorganization, the East Asia Region includes Cambodia, China, Fiji, Indonesia, Kiribati, Korea, Lao PDR, Malaysia, Maldives, Mongolia, Myanmar, Papua New Guinea, Philippines, Solomon Islands, Thailand, Tonga, Vanuatu, Vietnam and Western Samoa. The South Asia Region consists of Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan and Sri Lanka.

<sup>10</sup> This group consisted of four EDFs initiatives in China, 3 in Indonesia, 3 in Bangladesh, and 1 each in the Maldives, Papua New Guinea, the Philippines, Sri Lanka, Thailand, and Vanuatu. (See Annex 3 for a complete list.)

<sup>11</sup> Six other East Asian initiatives offered EDFs but did not explicitly take existing barriers faced by women into account.

<sup>12</sup> This may not represent a decline in interest in the area of EDFs/W, since the Bank's pipeline is often "lumpy" due to changing country level priorities and administrative delays.

Figure 1



sustainability in non-agricultural sectors and EDFs components which reach women clients. During 1991, there were 4 industry projects, 3 population initiatives and 1 infrastructure effort. In 1992, the traditional dominance of the agriculture sector once again replaced the more diversified sectoral approach to EDFs/W, with 4 of the 5 projects with EDFs/W in this sector.

An analysis of the projected EDFs initiatives which seek to reach women clients shows that the agriculture sector is likely to continue to dominate over the next three years in both East and South Asia. Ten of the 16 EDFs/W projects (63%) in the pipeline for East Asia are agricultural initiatives, with the remaining 6 in the industry sector. Similarly, 13 of the 19 EDFs/W projects (68%) in South Asia are agriculture efforts, with 3 in industry and 3 covering financial policy in the banking sector.<sup>13</sup>

<sup>13</sup> These include financial intermediation projects in India, Pakistan and Sri Lanka.

## Interregional Comparisons of Bank EDFS/W Project Portfolios

A comparison of the Bank's South and East Asian EDFS/W projects with those of other regions illustrates the relative importance of Asian initiatives in the Bank's overall effort in this area. A review of 63 EDFS/W projects supported by the Bank shows that 27 are Asian efforts, compared to 26 in Africa, 7 in Latin America and 3 in MENA.<sup>14</sup> Asian, African and MENA projects are predominantly agricultural, while the Latin American projects are evenly distributed in the agriculture, industry and population sectors. A comparison of sectoral distribution at the East Asia and South Asian region levels reveals that the portfolios of South Asia and Africa are fairly similar, while East Asia's strong preference for agriculture activities is similar to the MENA portfolio.

**Table 1: Sectoral Distribution of EDFS/W Projects by Region**

Region	Agriculture	Industry	Population	Other	Sample Size
South Asia	52%	18%	24%	6%	17
East Asia	70%	20%	0%	10%	10
MENA	67%	0%	33%	0%	3
Africa	54%	23%	12%	11%	26
Latin America	29%	29%	29%	13%	7

Only 2 of the 27 Asian projects provide information on deposit rates, but this deficiency is mirrored in the African portfolio (with 2 of the 26 supplying this information). None of the MENA or Latin American projects provided this information, indicating that there is a lack of appreciation of the importance of savings mobilization throughout the Bank.

Compared to other regions, Asian projects are more likely to specify the role of women in EDFS activities. Asian projects show a greater tendency to offer specialized training for women clients. Thirteen of the 27 projects (48%) divided training activities by gender, while only 8 of the African and none of the Latin American projects used a gender-specific approach to training. In institutional terms, there is a greater tendency among Asian projects to include female members in the project staff, at least in the design stage. Eleven of the 27 African

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<sup>14</sup> Following the Bank's recent regional reorganization, Pakistan's projects have been classified as Asian initiatives, which explains why MENA's portfolio is so small. This limits the value of comparisons with Naqvi's 1992 world wide review of EDFS/W projects.

projects (41%) mentioned the training of female staff members, while only 6 African projects (23%) used this outreach approach.

### Economic and Sector Work

Of 262 research activities in East and South Asia from 1989 to 1992, there were 27 (10%) which touched on general or specific enterprise development issues and included consideration of women's needs and constraints. Seventeen of these (63% of the total) were East Asian investigations, while the remaining 10 (37%) were conducted in South Asian countries. A review of planned ESW research for 1993 through 1995 reveals that only 12 of 167 studies (7%) in Asia are likely to include EDFs/W issues.<sup>15</sup> The three most important areas for studies from 1989 to 1992 that touch on EDFs/W issues are policy studies, agriculture and industry. The breakdown for the completed work and for projected Economic and Sector Work is provided in Table 2.

**Table 2: EDFs Economic and Sector Work  
in East and South Asia, 1989 - 95**

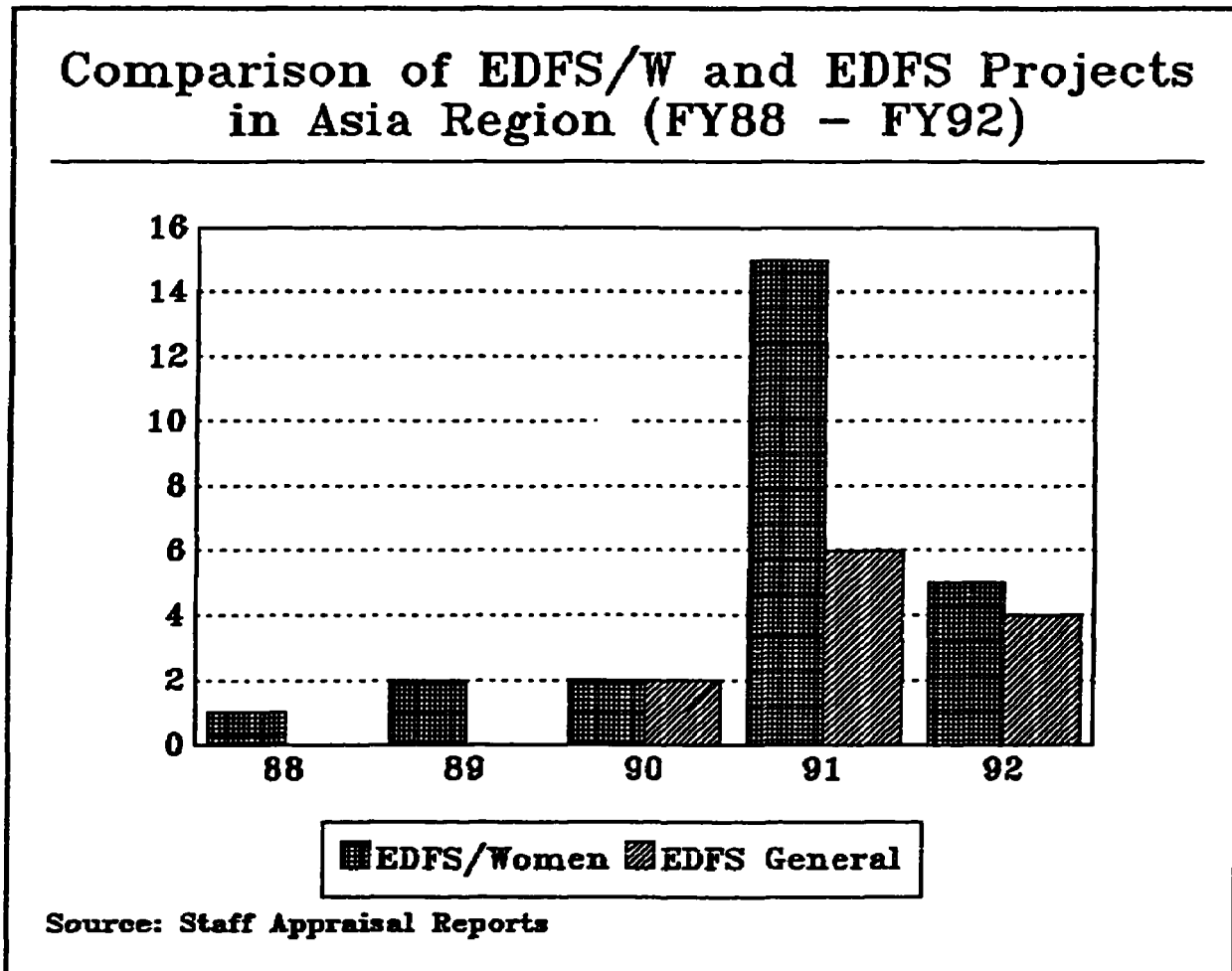
East Asia		South Asia	
1989 to 1992		1989 to 1992	
Agriculture:	6	Agriculture:	1
Industry:	4	Industry:	3
Population:	1	Population:	2
Social:	1	Policy Studies:	4
Policy Studies:	5		
Total	17	Total	10
1993 to 1995		1993 to 1995	
Agriculture	1	Agriculture:	4
Industry:	2	Industry:	1
Policy:	3	Policy:	1
Total	6	Total	6

<sup>15</sup> Information on ESW is based on the ASTEN Project Database.

### The Relative Emphasis on EDFs/W Activities in Project Design

The importance of the EDFs/W component was estimated for the 27 projects in the Asian sample. Fourteen of the 27 projects devoted a *significant* amount of resources to EDFs/W components. These projects included 8 agriculture, 4 industry and 2 population projects, amounting to \$1.318 billion in Bank lending. The remaining projects offered *minor* EDFs assistance which provided access to women clients. Proxies for estimating the relative emphasis on EDFs/W activities in the project included i) the budget for credit, savings mobilization, EDFs training and institutional activities likely to offer access to women clients, and ii) the level of detail and emphasis on EDFs/W in the Staff Appraisal Report (SAR) and other project documents.

Figure 2



Bank lending for projects with a significant EDFs/W focus was much smaller than for those initiatives with minor EDFs/W activities. Average Bank lending for projects focusing on EDFs/W was \$86.5 million for East Asian projects and \$99.9 million for South Asian

initiatives. Bank lending for projects with minor EDFs components was much larger, averaging \$196.3 million in East Asia and \$155.2 million in South Asia.<sup>16</sup>

There may be valid reasons for lower Bank funding levels and smaller average project size for projects with significant EDFs/W activities. Many of the EDFs/W components are small scale pilot projects which allow for experimentation and finetuning. These projects sometimes provide innovative untested financial instruments and non-financial services to new target groups (including women clients). Smaller projects are often more likely to be able to adjust services and delivery mechanisms in the face of changing client needs. If investments in staff training and MIS systems are maintained, the implementing institution can build on the lessons of these pilots to increase the scale of operations without adversely affecting financial or outreach performance. Examples of such growth on the part of the implementing institution can be found in the experiences of Grameen Bank in Bangladesh and BRI/KUPEDES in Indonesia.<sup>17</sup>

### **Bank Financial Support for EDFs/W Activities**

From 1983 to 1992, the Bank loaned \$3.50 billion to projects with EDFs components which reached women clients in South and East Asia. This was effectively leveraged to support projects worth more than \$6.27 billion, with \$518 million from other donors, \$1.77 billion from government contributions, and participants' investments accounting for \$490 million.<sup>18</sup> South Asia's level of investment represented 63% of the regional EDFs/W project portfolio, or \$3.97 billion, with the largest amount (\$1.5 billion) provided to India. East Asia's EDFs/W portfolio amounted to 37% or \$1.304 billion, with more than 70% of the assistance given to China. The average project was the same size regardless of subregion. The following table summarizes the composition of the EDFs/W portfolio for each of the regions.

In terms of Bank lending, there was a clear predominance of agricultural projects in both regions. Total lending for agriculture amounted to 65% of the EDFs/W portfolio, and 59% of the projects initiated from 1983 to 1992. In East Asia the tendency for agricultural projects was strongest, with 70% of the projects and 84% of the funds dedicated to agricultural initiatives. As Table 4 illustrates, the most important difference between subregions was South Asia's preference for population sector work, which made up 28% of the lending, compared to just 5% for East Asia.

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<sup>16</sup> Due to interpretation difficulties related to counterpart contributions related to subloan reflows, Pakistan's Agriculture Development Project is not included in counterpart contributions calculations.

<sup>17</sup> The Small Farmer Development Program in Nepal is an example where rapid expansion led to deterioration of program quality and financial performance.

<sup>18</sup> Totals which involve counterpart contributions do not include budget information from the giant Agricultural Credit Project in Pakistan, since the ADBP contribution appears to be exaggerated. The \$1.85 billion figure reflects total institutional lending activity projected over the six-year period, rather than a specific contribution to capital and administrative requirements of the project. Bank figures do include the \$150 million contribution.



**Table 3: Country Breakdown of EDFs/W Project Portfolio**

South-Asia Subregion 1982-1992				East-Asia Subregion 1982-1992			
Country	No. of Projects	\$ in Millions	%	Country	No. of Projects	\$ in Millions	%
India	8	1,498	69	China	5	942	72
Pakistan	3	313	14	Indonesia	4	347	27
Bangladesh	3	269	12	Philippines	1	15	1
Sri Lanka	3	116	5				
<b>Total</b>	<b>17</b>	<b>2,196</b>	<b>100</b>	<b>Total</b>	<b>10</b>	<b>1,304</b>	<b>100</b>

**Table 4: Subregional Breakdown of Bank Lending by Sector**

South-Asia Subregion 1982-1992				East-Asia Subregion 1982-1992			
Sector	No. of Projects	\$ in Millions	%	Sector	No. of Projects	\$ in Millions	%
Agriculture	9	1,200	55	Agriculture	7	1,095	84
Population	4	611	28	Population	1	69	5
Industry	3	248	11	Industry	2	140	11
Infra-structure	1	137	6				
<b>Total</b>	<b>17</b>	<b>2,196</b>	<b>100</b>	<b>Total</b>	<b>10</b>	<b>1,304</b>	<b>100</b>

The data indicate that project designers began to experiment with EDFs/W for a wide range of non-agricultural objectives in 1990 and 1991. In East Asia, this incorporated women clients' access to EDFs through the structure of project services, using *indirect targeting* mechanisms for EDFs. Projects in South Asia were far more likely to target women *directly* for enterprise development services, while the pattern is less distinct for financial services in South Asia projects. (See Table 5.)

**Table 5: Regional Variations in Targeting Strategies**

<b>Region/Services</b>	<b>Indirect Targeting</b>	<b>Direct Targeting</b>
<b>East Asia</b>		
Financial Services	6	0
Enterprise Dev. Services	8	2
<b>South Asia</b>		
Financial Services	5	4
Enterprise Dev. Services	2	11

### **Objectives of Bank-Supported EDFs/W Projects**

What should the objectives of an EDFs/W component be? The nature of the design process may prove to be more important than the particular physical goals set. Given the importance of cultural constraints, infrastructure limitations and market dynamism, South and East Asian EDFs/W project designers need to study the local project setting with special care. Demand-driven EDFs that takes the special needs and constraints faced by women clients into account often holds the potential for reaching self-sustaining levels. Examples are the credit and savings instruments and outreach mechanisms developed by BRI/KUPEDES in Indonesia and the Grameen Bank in Bangladesh. A thorough understanding of the client's needs will go a long way toward identifying the services, targeting strategies, specific activities, and the delivery mechanisms most likely to reach clients effectively.

An analysis of the stated objectives of the 27 EDFs/W projects reveals that there are four main areas of emphasis: i) increased household income and assets, ii) information, technology and skills transfer, iii) community level organization, and iv) building institutional capacity.<sup>19</sup> Table 6 illustrates the objectives found in the project descriptions in each of these areas.

As can be seen, income generation and skills training are the two most popular project goals in this sample of EDFs/W initiatives. These may not be the most important or appropriate goals for women clients in some cases. For example, a frequently cited objective is income generation for women, which seems to assume that women will automatically control the incremental income. However, this assumption may not be realistic in some Asian cultural

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<sup>19</sup> WEMTOP has also been included as a South Asia initiative, since it is in the planning stages in India at this time.

**Table 6: Analysis of the EDFS/W Project Objectives in Asia**

<b>OVERALL OBJECTIVE</b>	<b>SPECIFIC OBJECTIVES</b>	<b>NUMBER OF PROJECTS WITH OBJECTIVE</b>
<b>I. To improve the financial situation of the household</b>	1. Increase women's income (income generation)	15
	2. Increase capital assets controlled by women	2
	3. Increase employment opportunities for women	2
<b>II. To increase women clients' access to information, technology and extension services</b>	1. Improve women's management skills	2
	2. Increase women's access to information and skills training	10
	3. Increase women's access to technology	4
	4. Increase women's role in processing and value-added activities	3
	5. Increase women's role in non-traditional trades and activities	2
	6. Diversify the products which women produce	2
<b>III. To establish sustainable community mechanisms to provide services to women clients</b>	1. To promote women's empowerment	2
	2. To form new groups or strengthen existing groups which supply EDFS to women members	5
<b>IV. To develop or support institutions which provide EDFS to women clients</b>	1. To promote a direct relationship between women clients and existing formal sector institutions providing EDFS	2
	2. To foster institutional sustainability	5

settings. Also, projects tend to take a narrow approach to production skills training for women clients. Often, the marketing needs of these women producers, who face saturated local markets, are not addressed. In addition to those provided in Table 6, taken from the SARs,

Annex 4 offers a wider variety of possible EDFs/W project goals based on non-Bank project experiences.

### **Stages of Enterprise Development**

Asia region EDFs/W projects reach a wide range of enterprises, from subsistence enterprises to small scale industries. The female entrepreneur targeted by a given project can range from an illiterate rural woman in Bangladesh who cannot move freely beyond the family compound but wants to add a few chickens to the household "portfolio", to the well-educated women in Metro Manila running a small scale garment factory with 30 or 40 employees.

Clearly, for such a wide range of potential clients different targeting and design strategies are required. All three services (i.e. financial, enterprise development and social intermediation) may not be necessary in every country and for all clients. For established urban entrepreneurs seeking to expand their businesses, group organization may not be necessary. Similarly, small scale producers with established markets and reliable sources of raw materials may not require enterprise development services. Since all of these services cost money to deliver, project designers must be parsimonious. Based on a thorough knowledge of the target group, they must decide which combination of services and which delivery mechanisms will be most effective in a given setting.

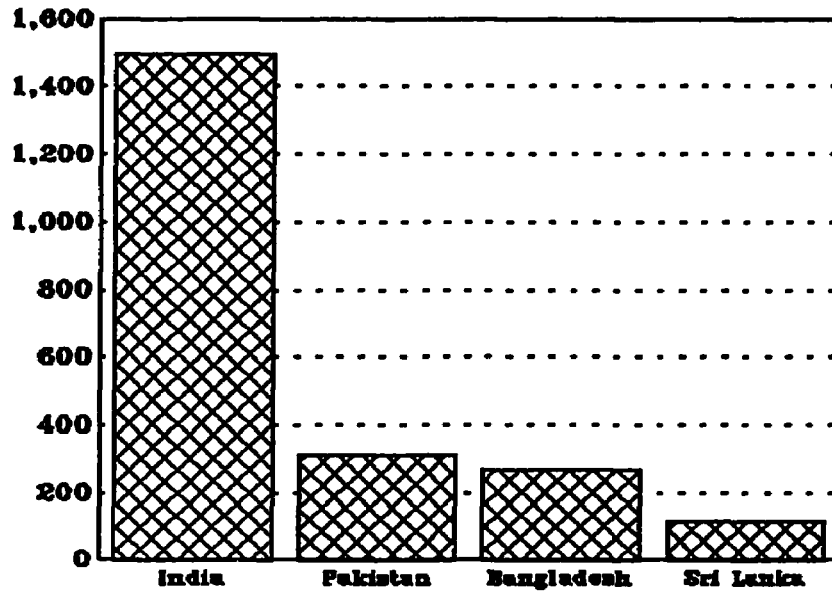
To fully understand the project design and targeting choices made by Asia region EDFs/W project designers, it is useful to disaggregate the term "enterprise" into four distinct stages. *Subsistence enterprises* consist of seasonal, part-time diversified economic activities and are typically operated by low income women in risk-averse households. *New microenterprises* are based on a single economic activity which is multi-seasonal and receives routine reinvestment. *Growth-oriented enterprises* adjust production techniques to permit expansion into new product lines and new markets. The fourth stage consists of *mature microenterprises and small scale industries*. Growth-oriented and mature enterprises are predominantly operated by men, and tend to benefit from traditional systems which require clear legal title to physical collateral to back a loan.

In terms of client selection, the Asia region EDFs/W portfolio has shown a preference for working with subsistence enterprises. However, the importance of this focus varies markedly depending on whether *direct* or *indirect* targeting strategies are employed.

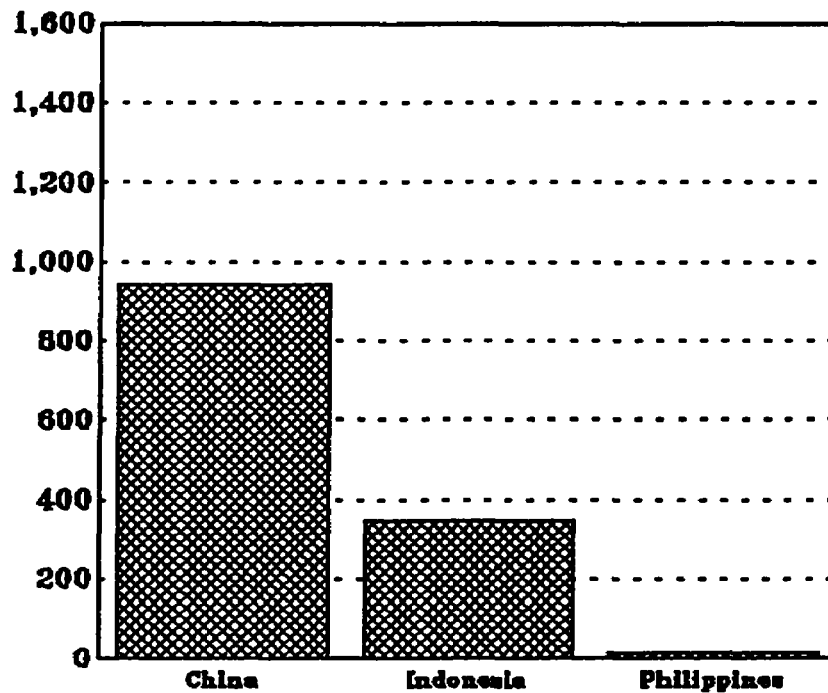
As Table 6 shows, the targeting approach used by a project is closely related to the enterprise level involved. Both South Asian and East Asian projects tend to prefer direct targeting to reach subsistence enterprises, where women clients predominate, and indirect means of reaching growth-oriented and mature enterprises. Reliance on indirect means of reaching women clients may not be an effective approach in cultural and socio-economic settings in which women do not traditionally have equal access to productive resources. Regardless of the targeting approach employed, the goal should be a flexible, dynamic, institutionally sustainable system which responds to changing needs of women clients. In this way, women enterprise

Figure 3

### Bank Lending to EDFs/W Projects South Asia Region, 1982 - 92



### East Asia Region, 1982 - 92



**Table 7: Distribution of Projects  
by Subregion and Type of Enterprise Served**

East Asia			South Asia		
Enterprise Level	Direct	Indirect	Enterprise Level	Direct	Indirect
Subsistence	7 (70%)	4 (40%)	Subsistence	10 (59%)	6 (35%)
New	1 (10%)	2 (20%)	New	3 (18%)	5 (29%)
Growth	1 (10%)	3 (30%)	Growth	3 (18%)	2 (12%)
Mature/SSI	1 (10%)	1 (10%)	Mature/SSI	1 (5%)	4 (24%)
<b>Total</b>	<b>10 100%</b>	<b>10 100%</b>	<b>Total</b>	<b>17 100%</b>	<b>17 100%</b>

operators, even at the subsistence level, may choose a growth strategy rather than being consigned to a welfare-oriented path.<sup>20</sup>

Projects in some countries tend to focus on one enterprise category, while others distribute EDFs/W across a wider range of clients. Indian projects tend to work at one of two levels: i) subsistence enterprises (the National Sericulture Project, Integrated Child Development Services and Agricultural Development—Tamil Nadu) or ii) new, more formal microenterprises (the Maharashtra Forestry Project and the Second Technician Education Project). In China, there is a preference for large scale regional projects which offer support to a wide range of production activities, often including EDFs/W appropriate to subsistence enterprises. These include the agricultural development projects in Jiangxi, Henan and Guangdong Provinces.

To a large extent, the needs of clients are likely to be defined by the stage of development of the enterprise they operate. These needs, along with an understanding of the existing physical infrastructure, links to growing markets, access to existing and innovative technologies, and cultural factors will determine the appropriate combination of financial, enterprise development and social intermediation services in a given project setting. These three services and the various mechanisms used to deliver them in Asia Region EDFs/W projects are explored in the next three chapters.

<sup>20</sup> See Goldberg, *Enterprise Development Services for Women*, PHRWD/ASTEN, 1992, paper for a full presentation of the four-stage enterprise development curve.

## CHAPTER 4

### FINANCIAL SERVICES IN ASIA REGION EDFs/W PROJECTS

#### The Minimalist and Integrated Models

In the field of EDFs, there are two models which help define the strategies, activities, and costs involved in a project. The *minimalist model* typically offers credit and one or two key services to individuals or groups of clients. These may include short, simple training sessions in financial management, production techniques or marketing. Technical assistance is rarely provided, since the model is based on the assumption that working capital is the binding constraint.

The other school is the *integrated model* which offers a package of services and resources considered necessary to promote enterprise development and growth. This package usually includes a training and technical assistance program with credit as an integral input. Other variations offer enterprise development services (training, technical assistance, marketing services, technology orientation) but no credit.

It is important to keep these options in mind when considering the credit, savings and enterprise development choices made by project designers in the two Asia Regions. The two approaches have important implications in terms of access, sustainability, institutional staffing requirements and costs. These are examined in greater detail in the final chapter, but also enter into the following discussion on credit, savings and enterprise development services.

#### Provision of Credit Services

Credit is one of the most frequently offered services in EDFs projects. Credit is frequently mentioned in needs assessments involving men and women who already operate or would like to establish enterprises. Some consider it to be an effective means of encouraging self-employment and allowing entrepreneurs to experiment with new production techniques and technologies or support new marketing strategies. However, as Von Pischke (1991) points out, "credit usually goes out at a faster pace than infrastructure is created, than technologies are adapted and adopted, and than institutions are reformed."

As the EDFs project portfolio expanded rapidly in 1991, credit was included in 7 of the 15 new projects (43% of the portfolio). This included 4 South Asian and 3 East Asian initiatives. Among the 7 projects, there were 4 industry, 1 poverty and 2 agriculture projects.

In 1992, the overall number of EDFs/W projects dropped to 5 and only 2 of these contained credit components: India's Shrimp and Fishculture Project and China's Guangdong Agricultural Development Project. Both primarily support production-oriented EDFs activities, using indirect targeting strategies to reach women clients. Routine fluctuations in the pipeline could be responsible for the decline in the number of EDFs/W projects with credit activities.

However, the decline may also reflect uncertainty on the part of Task Managers about the operational implications of the 1989 report of the Financial Sector Operations Task Force Report<sup>21</sup> and O.D. 8.30, issued in early 1992.<sup>22</sup> While both documents have helped to effectively break down the traditional paradigm of subsidized credit and establish the case for liberalized financial sector policies, they stop short of presenting alternative models for developing effective financial services programs which can reach the poor and, particularly, low income women.

Over the past fifteen years, a growing number of innovative programs, such as the Grameen Bank in Bangladesh, MYRADA in India, and Badan Kredit Kecamatan in Indonesia, have successfully expanded poor women's access to financial services. More than 90% of the Grameen Bank's clients are women, and Grameen reports a 98% repayment rate. MYRADA has reached over 44,000 poor borrowers and has a repayment rate of 89%.<sup>23</sup> Under certain economic conditions, such programs can even be profitable. In 1989, the Unit Desa system (KUPEDES) in Indonesia earned profits of over \$20 million.

To restore financial sector lending in Asia to its previous levels, these successful examples need to be reviewed in detail to: i) distill lessons on the necessary policy conditions and ii) generate information on the project design options for reaching women and other low income clients in cost effective ways. Task Managers need guidance on practical ways by which their lending operations can meet *both* the social objectives and the efficiency considerations set out in O.D. 8.30.

Examples where such efforts have been made within the Asia region project portfolio include Pakistan's Agricultural Credit Project and the Integrated Child Development Services Project in India. In the first case, female staff members of the Agricultural Development Bank of Pakistan will assist in women's group formation. These solidarity groups will become the guarantee mechanism for small loans (See Box 1). The Indian project uses existing health-oriented women's groups, the Mahila Mandals, to manage community revolving credit funds based on project grants.

In addition to traditional EDFs/W opportunities, there are a number of large scale resettlement efforts in the Asia region project portfolio which could take advantage of an integrated package of EDFs, including credit in some circumstances. OD 4.30 requires that Bank-supported projects ensure that people displaced by a project are provided with the means to improve or at least restore their previous earning capacity and production levels. Whenever the standard land for land provision is not possible, there remain two options: i) to increase the local demand for labor in agriculture or formal sector industries and services in the resettlement area, or ii) to develop viable opportunities for self-employment. Both options require the identification and development of institutions and systems that can deliver appropriate EDFs to

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<sup>21</sup> Report of the Task Force on Financial Sector Operations, by Fred Levy, 1989.

<sup>22</sup> *Operational Directive 8.30: Financial Sector Operations*, February, 1992.

<sup>23</sup> Personal communication with Executive Director Al Fernandez, MYRADA, November, 1992.



### Box 1: Incorporating Female Staff into the Institution

#### The Agriculture Development Bank of Pakistan (ADBP)

In 1985 ADBP identified the lack of women loan officers as a major constraint to reaching potential rural women clients. The "couple mobile credit officer" system was developed with husband and wife teams. Although the number of loans made to women under this scheme was low (5% of total loans under the project), the concept was expanded and included under the Bank-sponsored Agriculture Credit Project (ACP) as a separate women's credit delivery system.

Under the ACP, five pilot programs were designed to experiment with different approaches to reaching poor borrowers. One of the programs directed to women included a more elaborate credit delivery system using couple mobile credit officers, mobile female credit officers and female village assistants. Other pilot programs were designed which used group liability and gold as collateral substitutes. Another program used NGOs to assist ADBP's mobile officers in group formation.

While on paper the programs incorporated all the correct principles to reach the poor and women, in reality implementation was problematic. ADBP had neither the commitment nor the experience needed to drive such innovative programs. For instance, while the thrust of the pilot schemes was towards savings mobilization, ADBP had always focused on credit disbursement rather than savings. ADBP's lending had always concentrated on large loans using land for collateral while the pilot programs were aimed at very small borrowers using traditional forms of collateral.

Gaining commitment from ADBP to recruit women mobile credit officers and to create partnerships with NGOs became a hurdle which has caused delays in project implementation. After these initial problems were resolved through a modification of the original design of the pilot programs, the hiring of female mobile credit officers had gained momentum. However, the danger is that the recruitment of women staff may become an end in itself, rather than a step toward increasing ADBP's ability to reach women clients as a new and potentially profitable market niche.

The major lesson from the ACP experience is that implementing institutions need a clear mandate from upper level management to expand their outreach to include women and the poor. Of all the measures related to gender, under the ACP, a recent supervision mission stressed those which focused on *gender sensitive training in innovative lending methodologies*. By creating an orientation towards savings, repayment and financial sustainability, training can help overcome the preoccupation with credit disbursement and develop the consensus and staff support required to implement innovative schemes. Both ADBP and its prospective clients among women and the poor may have benefited more if the actual provision of financial services to this group had been postponed to a later project.

Sources: Agriculture Credit Project, SAR, Pakistan, 1990; Discussions with Maniza Naqvi ASTEN.

displaced men and women. Working with relocatees adds new issues and constraints to the already challenging task of designing sound EDFs projects or components. It could also open up important new opportunities.

In general, credit is a popular service in Asian EDFs/W projects. However, it is often difficult, based on the SARs, to measure the effectiveness of a given approach in terms of

women's access to credit and the likelihood of financial self-sustainability for the lending institution. It would be useful for project designers to spell out the financial and institutional mechanisms and assumptions in greater detail in the appraisal documents. Many of the counterpart development finance institutions are operating under outdated assumptions about repayment rates, cost of capital, reserves for loan losses and subsidized interest rates. Many focus more on meeting disbursement targets than on assessing risk and making good loans that will be repaid. Unless these assumptions can be challenged and the mandate of these institutions radically reoriented to EDFs/W efforts, the viability of the financial systems established is uncertain.

### **On-Lending Interest Rates**

Positive interest rates enable efficient financial institutions to cover administrative costs and establish reserves to cover losses due to loan default. Yaron's study on Successful Rural Financial Institutions found positive interest rates to be one of the critical factors in institutional sustainability, with the alternative being continued external subsidies to support lending operations.<sup>24</sup> Historically, many project designers have preferred to use subsidized interest rates, since low income households have long been seen as "too poor" to pay market interest rates. In fact, recent studies suggest that what the poor need is *convenient, reliable access* to market-priced resources rather than low interest credit which tends, in any case, to be appropriated by the non-poor.

Positive interest rates were included in an overwhelming number of the Bank's Asian EDFs/W projects which reach women. Twelve of the 13 initiatives had interest rates that exceeded the rate of inflation by at least 2%, providing an acceptable margin to participating financial intermediaries which control administrative costs.<sup>25</sup> This trend is not correlated with project size, regional or sectoral affiliation, or the year in which the SAR was completed. The lone exception was Sri Lanka's Badulla Rural Development Project (1983), the oldest project in the sample. Since interest rates are administratively determined in China and Pakistan, this limits the significance of findings in 5 cases.

Bank EDFs/W projects which target women rarely use grants. The only example is the Integrated Child Development Services Project in India, which uses grants to attract women for health and nutrition education activities. Individual grants are provided for income generating activities, and community-managed revolving credit funds are also established. While there are no data available on the success of this approach as a financial or educational strategy, other project experiences have illustrated the difficulty with establishing a financially viable revolving

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<sup>24</sup> Other factors include high loan collection rates, serious savings mobilization efforts, decentralized streamlined loan review, and significant levels of outreach. See World Bank Discussion Paper No. 150, 1992, page 28 for a complete list.

<sup>25</sup> It is noteworthy that interest rates were rarely reported in the SARs. For this analysis, International Monetary Fund statistics were used.

credit fund based on a grant. More success has been achieved when the grant is used to supplement group savings.

### **Direct and Indirect Targeting of Financial Services**

Of the 13 Asian projects providing credit facilities, 9 (69%) use indirect targeting to reach women while 4 (31%) use direct methods. The most popular approach to the provision of credit to subsistence enterprises is through indirect means such as ceilings on loan size, the provision of small, short term working capital loans, and collateral substitutes such as joint liability (through group formation). Of the 7 projects serving subsistence enterprises, 6 use indirect targeting, while only India's National Sericulture Project employs direct targeting for financial services.

There are different patterns for East Asian and South Asian projects. Indirect targeting strategies for credit facilities are prevalent in East Asia, where women may have a more equitable standing in credit markets. The 3 Chinese projects which offer credit services do not spell out special mechanisms for reaching women clients.<sup>26</sup> Since these projects use credit to encourage a wide range of small scale productive activities, many of which involve a significant number of women, this may be an effective way in the Chinese context to ensure that financial services reach women clients. All 4 projects using direct mechanisms are South Asian initiatives, in settings where traditional barriers to women's access to credit remain firmly in place. The only project involving grants to revolving credit funds operated exclusively by women is also found in India (the Integrated Child Development Services Project).

### **Savings Facilities**

*Provision of Savings Facilities.* There is a growing acceptance of the important role which savings can play for individual clients, solidarity groups and financial institutions. For low income clients, accessible savings can provide a welfare safety net for the household, which may face significant economic swings on a seasonal basis. Capital accumulation in the form of savings may be a cheaper form of financing an enterprise. It is certainly less risky for both the client and the institution. The price for using savings is based on investment alternatives faced by the household, not by global markets or administrative decisions. For solidarity groups, regular savings may contribute to group cohesion from the beginning. The financial institution may find savings mobilization to be an affordable means of raising local capital and attracting new borrowers. If these savings accounts can be "blocked", they also provide a means of reducing the risk to the financial intermediary.<sup>27</sup>

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<sup>26</sup> The 3 Chinese projects are the Fourth Rural Credit Project, Guangdong Agricultural Development Project, and Jiangxi Agricultural Development Project.

<sup>27</sup> This term refers to the use of savings accounts as compensatory balances which serve as collateral for loans.

## Box 2: Savings Mobilization and Institutional Sustainability

### BRI/KUPEDES Savings Mobilization Experience

In 1984, the Bank Rakyat Indonesia (BRI) established a banking system which took advantage of the large rural branch system of the bankrupt BIMAS rice lending program. BRI created a multisectoral lending program offering non-subsidized credit and emphasizing savings mobilization. In 1990, BRI had more than 1.8 million loans outstanding and reached more than 6.3 million savers. It is estimated that 25 % of the clients are rural women.

BRI has promoted savings for several reasons. It sees local savings as a means of lowering the weighted average cost of capital of funds, which are lent out to borrowers at a real interest rate of about 24%. In addition, potential borrowers are attracted through convenient savings programs. Even with average savings deposits of only \$80 in 1990, savings have added little to BRI's administrative costs, because loan officers are already visiting villages to monitor outstanding loans. Since savers are also taking out loans, the savings balance acts as a loan guarantee.

Many of the same concepts that encourage good credit relationships have been found to apply to savings. Transaction costs have to be kept to a minimum, and savings should be an administratively transparent activity. The service offered should be demand driven, based on the changing needs of clients. The BRI/KUPEDES experience shows that low income households are very interested in dependable savings facilities, and may make a savings decision based on timely access and security rather than solely on the rate of return.

Sources: Naqvi, *Providing Enterprise Development and Financial Services to Women*, 1992; Yaron, *Successful Rural Finance Institutions*, 1991.

Savings are mentioned in only half of the 14 projects which offer financial services, reflecting a relative lack of appreciation of the critical role of this form of funds generation and risk reduction. Industry sector projects are more likely to include a savings component, with 3 of the 5 projects (60%) including them. There are 2 population projects with savings facilities. The Agricultural Credit Project in Pakistan and China's Fourth Rural Credit Project are the only agricultural initiatives to include a savings component, although 5 others offered credit services.

At the country level, there are interesting differences related to savings. Only one of China's 5 initiatives and none of India's 8 projects mention savings facilities, although 3 projects in each country provide credit. This appears to illustrate the ready availability of government, donor or private sources of funds for the financial institutions involved in the projects. It also reflects the general lack of concern with risk and long term financial sustainability. Two projects in Pakistan, BRI/KUPEDES in Indonesia and the Philippines Cottage Enterprise Finance Project actively promote savings mobilization as a means of guaranteeing credit activities. It appears that there is no agreement, even within regions, concerning the role that savings should play in EDFs/W projects.

Three reasons for savings mobilization components are cited in project design documents. Five of the projects use mandatory savings mechanisms, either to wean clients off of credit by creating individually held assets or to serve as collateral for loans. Savings are collected by solidarity groups in 3 cases. Savings mobilization is also mentioned in 2 projects to generate capital for the financial institution (cited by 2 projects) or as an integral part of an NGO project (2 projects).

***Savings Deposit Rates.*** Project documents for the Asia project portfolio rarely provide detailed information on the deposit interest rate. Only 2 of the 7 projects which offer savings facilities indicate that a positive interest rate is applied--the BRI/KUPEDES Project in Indonesia and the Poverty Alleviation Project in Sri Lanka.

The fact that most agriculture projects do not offer savings facilities to clients suggests a lack of understanding of clients' financial needs.<sup>28</sup> This may be based on a misperception that low income clients are unable to save, or may reflect the traditionally high cost of rural savings mobilization. Also, since agriculture projects have historically received subsidized funds, the advantage of a lower weighted average cost of capital has not been as important to financial intermediaries.

***Targeting Savings Facilities.*** There is no clear cut pattern of targeting savings facilities to any specific income group or firm size. East Asian projects which promote savings range from the BRI/KUPEDES system in Indonesia, which provides access to savings facilities for subsistence enterprises, to the Philippines Cottage Enterprise Finance Project, whose clients tend to be mature microenterprises and small scale industries. Similarly, the South Asian projects include Bangladesh's Fourth Population and Health Project and the Sri Lanka Poverty Alleviation Project (subsistence enterprise target group) as well as Pakistan's Agricultural Credit Project, which aims for growth-oriented and mature microenterprises.

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<sup>28</sup> The lone agriculture project offering savings facilities is the Agricultural Development Project in Pakistan. However, this explicitly states that the interest rate paid is not positive or competitive with market rates (SAR, page 9, 1991).

## **CHAPTER 5**

### **ENTERPRISE DEVELOPMENT SERVICES**

#### **Training Delivery Mechanisms**

Training activities can be broken down into two areas: i) enterprise management and ii) production techniques and technologies. The first includes marketing, financial management, and business planning, and is offered in some way by 17 of the projects in the sample (63%). The second includes production training and technical assistance, and is provided by 22 initiatives (81%).

The traditional approach to training relies on government institutes to deliver EDFs to low income clients. Yet such institutes often have little interest in reaching marginal populations or experience and knowledge in how to go about doing so. The effects of exclusion for potential women clients may extend far beyond technical information and on-the-job training services, since training is often linked to access to crucial marketing and financial services.

For the East Asia Region, the training activities of 9 of the 10 EDFs/W projects relied entirely on government agencies. The only project which complemented government training with NGO participation was Indonesia's Third Non-Formal Education Project. Four offered special production or business management training for women clients, including projects in China, Indonesia and the Philippines.

South Asian projects showed a greater tendency to diversify training resources by including NGOs. While government training institutes were involved in 8 of the 17 projects (43% of the sample), NGOs provide services in 9 projects (53%). Four projects use both NGO and government delivery mechanisms, while 4 others do not offer training. NGO involvement is especially prevalent in projects which devote a large share of resources to EDFs/W, although NGO involvement is not related to project size or the size of the Bank's financial commitment.

The incorporation of NGOs into EDFs/W components seems to reflect the relative strength of the NGOs in different sectoral and national settings. All 3 of Bangladesh's EDFs components are rural-based initiatives, and NGOs are included since they already have extensive community networks. In India, 3 of 4 agriculture projects use NGOs for training purposes, while none of China's five agricultural projects involve NGOs.

It is possible that in certain countries and specific sectors increased NGO participation could increase women's participation in training activities. Seven of the 10 projects with training components designed for women in the two Asia Regions include NGOs as a key delivery mechanism, an indication that in some settings NGOs are seen as an effective outreach mechanism.

Incorporation of NGOs in the training equation is only one step toward effective EDFs/W training. The relevance of the training (materials, content, applications) and the accessibility of

### **Box 3: The WEMTOP Program's Management Training for Women Clients**

#### **The Women's Enterprise Management Training Outreach Program (WEMTOP)**

WEMTOP is an Economic Development Institute (EDI) pilot project underway in India and the Philippines. It is based on the hypothesis that the uneven success of microenterprises operated by women is due to insufficient emphasis on business management skills training. WEMTOP proposes a "package completion approach" which provides management, marketing and consciousness raising activities to reinforce women's business skills.

WEMTOP is a unique initiative for the Bank. WEMTOP will offer a wide range of business management topics. Although the project itself contains no credit component, participants will be linked to available financial systems, so that they may gain access to credit for their businesses. The approach uses local NGOs rather than government institutes to deliver training. NGOs are seen as a means of promoting training approaches which are "participatory, effective and responsive to gender issues". They have experience with innovative techniques such as solidarity groups, which can complement the basic business skills training. It also offers targeted business management training to women with little formal education who wish to start new enterprises.

The WEMTOP approach faces a number of important challenges. Similar enterprise training models have faced drop-out rates of more than 50% due to the choice of training techniques, topics and timeframes which did not reflect client needs. The approach also tends to be more successful when local markets are dynamic and there are well-developed local infrastructure and marketing channels. It assumes that financial intermediaries will make a commitment to trainees. There are often elevated costs in developing specialized training curricula and in selecting applicants. It is not clear whether such an approach can become cost efficient in the long term. In WEMTOP's pilot in India, approximately \$1,000,000 will be invested in the establishment of a training system which will reach 100 trainers from 40 NGOs and 1000 women entrepreneurs.

WEMTOP presents an important opportunity to measure the cost effectiveness of enterprise management and "package completion" strategies targeting women clients in the Asian context.

Source: WEMTOP Pilot Project materials (1992) and discussions with Economic Development Institute staff.

those services, which would require recognition of the seasonal and other time constraints faced by potential women participants, are also critical determinants of successful training activities.

The Bank has rarely taken a direct role in the development and provision of training services for EDFs/W projects in the Asia Region. The WEMTOP Project, presented in Box 3, is an innovative approach which offers extensive training in a number of technical areas related to enterprise management.

## **Training Content and Technical Assistance**

Information regarding special training components for women clients is provided in 13 of the 27 projects (48%). Four of the 10 projects (40%) in East Asia provide some training activities tailored to the needs of women clients, compared to 9 of 17 projects (53%) in South Asia. For Indian and Chinese projects, special training for women is restricted to agriculture. The 3 Pakistani projects offer special training for women clients in different sectors, including agriculture, industry and infrastructure. This reflects a clear recognition of the constraints faced by women enterprise operators in a society with traditional norms of female seclusion.

Throughout the Asia portfolio, training topics tend to include a mix of business management, financial management, marketing, and production. Another project option is the provision of on-site technical assistance to producers. The most popular enterprise management topics for Asian projects were production techniques and technologies, included in 22 of the 27 projects (82%). Technical assistance services, usually associated with production-related problems, were provided in 67% of the projects, and were not directly related to project size, focus, or sectoral affiliation. The other topics were included in less than half of the training components (with marketing included in 44%, financial management in 33%, and general business management in only 18% of the projects). The only important variation between the two regions was much greater emphasis on marketing topics in East Asia.

EDFS/W project training and technical assistance components may be considered to be integrated approaches when at least three of the five elements presented above are included in project design.<sup>29</sup> East Asian projects are slightly more likely to offer an integrated approach than South Asian counterparts.<sup>30</sup> The only two projects to offer complete packages were Indonesia's Third Nonformal Education Project and the Cottage Enterprise Finance Project in the Philippines. This suggests that for a majority of EDFs/W projects a more sophisticated level of women client is involved, and that physical infrastructure and marketing systems are more developed.

The role of technical assistance remains a central concern for projects offering EDFs/W. However, it is rarely linked to training explicitly. It is unclear whether extensionists and loan officers who monitor repayment are also equipped to offer advice related to clients' individual production, marketing and management concerns. In addition to the limits of market infrastructure faced by all small entrepreneurs, women face special cultural barriers. They also tend to work with traditional products which are more likely to encounter market saturation. The lack of supporting technical assistance may limit the impact of the EDFs/W provided.

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<sup>29</sup> Technical assistance in this context relates to specialized on-site assistance provided to the enterprise operator. This differs from the institutional development orientation used by the Bank in project documents.

<sup>30</sup> Five of the 10 East Asian projects and 7 of the 17 South Asian initiatives offer integrated approaches.



## **Institutional Arrangements**

**Another means of targeting women clients for EDFs/W project activities is to foster a commitment to the development of female staff members in the implementing institution. This may also help to insure that the services are flexible to fit the changing needs of women clients. There are 4 East Asian and 7 South Asian projects which employ female staff as a means of encouraging women clients to participate. Pakistan and China have the highest percentage of projects using this approach (66% and 60% respectively). Eleven of the 27 Asian projects (41%) mention that female staff will be involved in some way, and 8 of these are agricultural initiatives.**

**Projects with a primary focus on EDFs/W were more likely to use female staff (7 of 14, or 50%) than those which offered EDFs/W as only a secondary activity (4 of 13, or 31%). Five of the ten projects using NGOs explicitly mentioned women staff, compared to just a third of those relying on government agencies. (See Box 1 for additional information concerning the Agricultural Development Bank of Pakistan's efforts in this area.)**

## CHAPTER 6

### SOCIAL INTERMEDIATION SERVICES

#### Group Formation Services

The two previous chapters have discussed approaches used in Asia region projects to ensure that appropriate financial and enterprise development services are made available to women entrepreneurs. However, for many low income women and especially those in societies where women's physical and social mobility outside the home is limited, the most important factor in determining their access to either financial or enterprise development services is a third service -- *social intermediation*. Social intermediation builds links between disadvantaged groups and the institutions charged with delivery of services. Social intermediation takes a number of forms including advocacy<sup>31</sup> and a range of social support services such as adult literacy, health and family planning -- sometimes delivered by NGOs along with financial and enterprise development services as part of an integrated package.

Perhaps the most powerful form of social intermediation is the mobilization and development of Self Help Groups (SHGs) which can be linked with formal sector financial institutions and enterprise development agencies. Self Help Groups serve multiple purposes. First, solidarity groups of borrowers can reduce the transaction costs of reaching dispersed individuals.<sup>32</sup> Although initial costs may be high, group lending can reduce lender's administrative overhead, once groups are organized and functional. Second, groups have demonstrated an impressive ability to mobilize savings, which can reduce the lender's dependence on external sources of financial resources. These savings are often relent to group members for emergency or consumption needs for which banks are often unwilling to lend.

Groups also decrease costs for borrowers, since clients are able to save on fees for collateral registration and transportation costs for visiting bank branches. In addition, groups which use a joint liability system can reduce the risk of repayment problems as well as collateral requirements. Since all members lose borrowing privileges until default by any member is resolved, enforcement becomes less of an issue. The group acts as a self-policing mechanism to insure on-time loan repayment. For the landless and women (who rarely have title to land), joint liability is an essential collateral substitute.

In some circumstances groups can also be cost effective mechanisms for the delivery of various types of enterprise development training and market information to micro-entrepreneurs

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<sup>31</sup> Advocacy involves working to create visibility and legitimacy for disadvantaged groups, to change public policies, legal and regulatory frameworks that affect them at the local, national and even international levels. SEWA's efforts with self-employed women in India, the work of de Soto's Instituto de Libertad y Democracia documenting the positive aspects of the informal sector and the Australian Foundation for Development Cooperation's efforts to promote linkages between local Self Help Groups and financial institutions through their work on "Banking with the Poor" are examples.

<sup>32</sup> Holt and Ribe, 1991.

with little formal schooling. In the case of training, local groups can be used to reinforce key messages and behaviors. Groups also provide women with a legitimate "social space" beyond the home and a sense of solidarity that allows them to deal more freely with unfamiliar formal institutions and processes.

Many cultures have traditional informal community self-help groups which have evolved due to common resource management and financial intermediation needs, and the level of women's participation is usually significant.<sup>33</sup> The widespread existence of rotating savings and credit associations (ROSCAs) in Asia shows the potential for using groups as an EDFs delivery mechanism.<sup>34</sup> Of the 27 projects in the sample, 9 use groups to promote and provide EDFs to women clients. Interestingly, this practice is far more prevalent in South Asian EDFs projects (8 of 17, or 47%) than those in East Asia (1 project, or 10%). Five of the 8 South Asian initiatives target subsistence enterprises, while the rest serve growth-oriented enterprises.

Self selection of group members appears to be critical to the success of groups for borrowing and saving purposes. The concept of joint liability depends on members' sense of trust and collective responsibility. Typically, these groups form around shared characteristics and needs, such as economic interests, shared production and marketing needs, common residential or production location, or a shared ethnic background.<sup>35</sup>

Another strategy is to use groups which do not have EDFs/W as the primary goal. The Integrated Child Development Services Project in India works with women operating subsistence enterprises. The objective of the project is to improve the nutritional and health status of children under the age of six, pregnant and lactating women. Local community participation in the Mahila Mandals (MMs) have been low in Orissa and Andhra Pradesh, so the project decided to add an income generation component. Grants of \$53 will be provided to groups with at least 20 members for health and nutrition activities, with an opportunity to receive an additional grant of \$158 for group enterprises. An additional grant of \$790 is provided to establish group revolving credit systems. Currently under preparation are lending operations in the Philippines (Second Irrigation Operation Support Project) and India (Uttar Pradesh Sodic Soils) which will try to build savings and lending activities into groups which have been formed to manage shared irrigation systems.

Although social intermediation appears to be most critical for poor and socially disadvantaged individuals operating subsistence enterprises, it can also be effective in helping more advanced enterprises to grow. The mutual guarantee associations (MGAs) organized by the Philippines Cottage Enterprise Finance Project presented in Box 4 are an example of the way that the group approach can also help women who run or work in more mature enterprises.

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<sup>33</sup> Much of this information is taken from Naqvi (1992) and Holt and Ribe (1991).

<sup>34</sup> ROSCAs are known as *bashi* in India, *artisans* in Indonesia, *dhikuti* in Nepal, *puluwagans* in the Philippines, and *pia huey* in Thailand.

<sup>35</sup> Naqvi, 1992, pg. 43.

#### **Box 4: Mutual Guarantee Associations**

##### **Philippines Cottage Enterprise Finance Project**

The project establishes mutual guarantee associations (MGAs), which are solidarity groups of 25 to 40 established enterprises which find it difficult to obtain credit independently from formal sector banks. There is a sizeable reduction in administrative costs and the group lowers the level of moral hazard involved in the transaction, by serving as a joint liability mechanism.

Unlike many solidarity groups, MGAs require initial capital contributions and issue shares which can be sold after a year. There are formal bylaws, annual assessments and default recovery procedures set by the individual MGAs. Members are entitled to apply for loans from the bank, and are backed by the group's guarantee fund. "Longstanding MGAs in other countries are highly leveraged... reflecting the confidence gained from the program's track record... Since a defaulting member endangers the viability of the whole association, such a member would come immediately under the strong encouragement of his fellow members to repay."

A preliminary study of MGA member enterprises found that 43% had women managers, and 53% of the employees of the member enterprises were women. The average firm has 17 employees, an asset base of \$12,500 and is located outside of Metro Manila. Training is provided in business management skills, and a review of materials indicates that members include many sophisticated operations. This approach offers some important advantages, such as geographic dispersion of credit for small businesses. However, unlike the majority of solidarity groups, it is unlikely that members would be first-time credit users traditionally closed out of the formal banking system.

Source: Philippines Cottage Enterprise Finance Project; SAR, 1991, pg. 14.

The task of forming SHGs and linking them up with formal financial and enterprise development service institutions is most commonly and most effectively done by NGOs. In addition to lower costs, NGOs typically have knowledge of and empathy for local disadvantaged populations that make them especially effective in identifying and communicating with these groups and winning their trust. Experienced NGOs know that the task of building strong SHGs that are able to set their own agendas and establish direct relationships with banks and other service delivery institutions cannot be rushed.<sup>36</sup> The most responsible and financially disciplined SHGs are those which have been permitted to determine their own interest rates for savings and lending, make their own decisions on which loan applications to accept, and generally determine their own bylaws. Investments in training to instill basic self-management skills such as accounting and recordkeeping are necessary, but the most successful NGOs seem to be those that listen more than they talk, and those that see their own job as that of a temporary catalyst of local wisdom and energy rather than building a permanent role for the institution.

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<sup>36</sup> In India, MYRADA is an example of an NGO which has dedicated significant resources to exploring the needs of its clients, rather than relying on preconceived notions.

However, it is not always possible to leave the role of social intermediation to the NGOs. In some instances, such as Nepal and China, NGOs have a relatively short history and have not yet become strong institutions. In other cases, like the Philippines Cottage Enterprise Finance Project, the target group is well established business operators who are not necessarily economically disadvantaged but who have been overlooked by the banks for other reasons (such as gender or geography). Under these circumstances, the work of organizing and linking SHGs with financial institutions must be done by government line agencies or even by the lending institution itself. There are some very successful "hybrid" institutions such as the Grameen Bank in Bangladesh or SEWA Mahila Bank in India where the financial and social intermediation tasks are carried out by the same organization, which is a kind of NGO/Bank. In general, however, the most successful and replicable social intermediation efforts have been made by NGOs rather than government agencies or financial institutions.

One innovative approach is the establishment of the Janasaviya Trust Fund (JTF), the implementing institution for Sri Lanka's Poverty Alleviation Project. Based on a similar Bank experience in Bangladesh (Box 5), the JTF is an independent foundation which supports non-traditional mechanisms for linking commercial banks, NGOs and SHGs. The JTF operates a credit fund and a grant system to support "partner organizations" (POs) which reach the poor. These include regional rural development banks, thrift and credit cooperatives, commercial banks, youth service programs and NGOs.

The JTF seems to reflect the lessons from existing Sri Lankan umbrella organizations such as Sarvodaya, a well known NGO with over 6000 affiliated community groups. The JTF's Board of Trustees includes representatives from the public and private sectors as well as NGOs and academic institutions. The Trustees and Managing Director are advised about the suitability and effectiveness of projects by a committee consisting of NGO and grassroots organization representatives. However, the JTF's management culture, staffing and relationships with other institutions reflects a public sector orientation rather than the "dynamic, outgoing and creative private organization" envisioned by project documents.

One of the early difficulties has been the slow development of a productive relationship between the JTF and the POs. It was initially hoped that the JTF could identify POs with a commitment to social mobilization and the skills and experience necessary to carry out such programs effectively, but this has not been the case. However, with a few notable exceptions, the financial services capacity of NGOs in Sri Lanka is limited. In fact, NGOs are not permitted to mobilize savings under the Finance Act of 1988. As for the commercial banks, they have been reluctant to participate due to the strict financial reporting required by the World Bank and the JTF.

To remedy the situation, the JTF decided to hire its own extensionists, known as Human Resource and Institutional Development Workers (HRIDWs). The JTF did not have the capacity to train the 150 new HRIDWs in social mobilization skills. As a result, these extensionists were not sufficiently prepared to identify existing groups or organize new ones which could take advantage of the JTF's financial services. In addition, there is no consensus on the basic

concept of social mobilization within the JTF. This could pose a threat to the JTF's effectiveness in the future.

Credit operations started in December of 1991, partially in response to external pressure to disburse funds rapidly. The JTF has selected two grassroots women's organizations and a private sector financial company with experience in social mobilization to start up credit operations. As of June of 1992, Rs. 2.5 million (\$56,800) had been disbursed to finance 612 self-employment project in three rural areas and one urban zone. Almost 70% of the borrowers have been women, and there have been no repayment difficulties, although most loans have not yet matured.

In summary, four problems have arisen as the Foundation has begun to provide loans and technical assistance: i) commercial banks have been reluctant to participate due to the financial disclosure requirements, ii) NGOs (such as Sarvodaya SEEDS) have been unable to mobilize savings under the Finance Act of 1988, iii) external pressure on JTF has tended to promote credit disbursement before the SHGs are firmly established, and iv) as a new institution, JTF has not yet developed a comparative advantage in social intermediation.

There is a great deal to learn from the experiences of financial services programs which employ group lending strategies as a form of social intermediation. Among the areas which could be investigated are the following:

- Which approaches to group-based financial services are most effective in different circumstances and what are the investments and returns in each case?
- How can optimal group size be determined? Do small, socially homogeneous groups perform better than larger, more diverse groups?
- What is the role of group savings?
- What characteristics do effective group organizers possess (such as their gender, education level, and where they reside)? What types of training should they receive?
- What kind of training do bankers need to be able to deal effectively with groups? What are the MIS systems required by bank managers?

The Bank is not in a position to work directly with groups or link them to NGOs and financial institutions, but it does need to answer these questions to gain a greater understanding of how groups work. Project experiences indicate that NGOs have a comparative advantage in working with self-help groups. To encourage this process of social intermediation, which appears to contribute directly to good project performance, the Bank needs to consider modifying its own business practices to enable it to support NGOs and financial institutions involved in innovative EDFs/W delivery.

### Box 5: Institutionalizing Social Intermediation

In Bangladesh commercial banks are generally unwilling to provide credit to low income producers, because farmers' repayment rates are poor and the costs of doing business with them are high. NGOs have become increasingly innovative in developing financial services which are convenient and attractive for the poor. With a few notable exceptions, the majority have been small scale efforts.

In 1989, after more than 5 years of preparation, the Bank helped to create the Rural Employment Foundation, intended to support NGO and governmental programs that provide credit to the poor. The Foundation's role was to channel financial and technical assistance to innovative programs, providing finance through a Credit Fund and support for capacity building through a Social Development Fund. The project was intended to provide 2.5 million loans to low income producers over a period of 5 to 7 years. At least 50% of the loans were intended for women.

Support was not limited to a single methodology or institution. To join the project, organizations had to have at least two years of experience in lending and a minimum repayment rate of 70%. Once financial support was provided by the Foundation, project partners that failed to meet performance indicators related to loan repayment would gradually become ineligible for further Foundation assistance. The focus on sound financial performance was based on lessons from previous financial services projects which showed that the "single most important factor (leading to unsustainable projects) must be the general relaxed attitude to the loan recovery problem."

Precautions were taken to insure the Foundation's independence. The government was given a very limited role on the Board, and agreed in advance not to review specific projects or participating institutions. Foundation staff was drawn from outside the government, and staff members were provided with intensive training on credit management. Training was to be provided to both NGO and government agency personnel to insure that well-designed financial services projects which reached low income clients were submitted for funding.

For several reasons, the Bank did not formalize a relationship with the Foundation. Demand for Bank funds was uncertain, and institutions that were interested did not view the Foundation as a low-cost provider of capital. Also, some NGOs were uncomfortable with the conditions involved in accepting the funds through the Foundation. This experience reveals the difficulties faced by the Bank in creating channels for funding NGOs as social intermediaries for its credit projects.

Source: Staff Appraisal Report, Poverty Alleviation and Rural Employment Project, Bangladesh, 1989.

## CHAPTER 7

### CONCLUSIONS AND RECOMMENDATIONS

The analysis presented in this review of EDFS/W projects in Asia yields a series of observations which should help project designers to consciously target EDFS/W more effectively in the future. The conclusions can be broken down into 6 areas: i) regional similarities and differences, ii) minimalist versus integrated methodologies, iii) access issues, iv) disaggregating the concept of "microenterprise", v) alternatives to current project goals and vi) the need for practical EDFS/W guidelines for operational staff and the provision of related staff training,

#### Regional Project Profiles: Design Similarities and Differences

It is difficult to describe a single East Asian model of EDFS/W, due to the diversity of strategies, methodologies, resources, counterpart choices and the small sample size. Nevertheless, it is useful to note the similarities found in the EDFS/W projects in each region, reflecting different levels of infrastructure, outreach systems and wide variations in the status of women. The similarities found among the 10 East Asian projects are summarized in Box 6.

#### Box 6: East Asia Project Similarities

##### General Characteristics

- Agricultural initiatives
- State or provincial rather than national projects

##### Institutional Characteristics

- No role for NGOs
- Dominant role for Government institutions (although for different project purposes, such as financial services or training)

##### Financial Services

- Credit is offered through indirect targeting mechanisms
- Positive interest rates are charged for credit
- Financial markets becoming more liberalized

##### Enterprise Development Services

- When offered, training includes production and marketing
- Technical assistance is provided related to production, processing
- No integrated enterprise training programs for women

In addition to these similarities, there are also 3 notable differences among the 10 projects. While the Chinese projects are large scale efforts, the Indonesian EDFS/W efforts are



medium sized and the Philippine initiative is small. The Chinese projects tend to treat EDFs/W as a secondary activity used to support regional agricultural development, while the other countries tend to focus on EDFs/W as a central project objective. When direct targeting is used to reach women clients, Chinese and Indonesian projects target subsistence enterprises, while the Philippine Cottage Enterprise Finance Project focuses on mature microenterprises.

<b>Box 7: South Asia Project Similarities</b>
<b>General Characteristics</b>
<ul style="list-style-type: none"><li>• Emphasis on Agricultural initiatives</li></ul>
<b>Institutional Characteristics</b>
<ul style="list-style-type: none"><li>• Frequent use of NGOs</li><li>• Preference for direct targeting of subsistence enterprises operated by women</li><li>• Wider group of enterprises targeted when indirect targeting of women clients is used</li><li>• Positive interest rates when credit is provided</li></ul>
<b>Enterprise Development Services</b>
<ul style="list-style-type: none"><li>• Direct targeting of training and technical assistance services</li><li>• No business management training provided</li></ul>

The 17 South Asian EDFs projects also share a series of design characteristics (See Box 7). This is not surprising, since Bangladesh, India, Pakistan and Sri Lanka share a less developed level of institutional and market infrastructure than their East Asian counterparts, as well as many cultural similarities related to the status of women.

There are 3 important differences among the South Asian initiatives. While in the 3 Sri Lankan projects EDFs/W activities are a central project activity, the projects in India, Pakistan and Bangladesh tend to treat EDFs/W as a secondary activity. For enterprise development services such as training and technical assistance, projects in Pakistan and Bangladesh target women directly through institutional mechanisms. Projects in Bangladesh use NGOs as a delivery mechanism to reach women clients, and the Pakistani initiatives offer specialized training in enterprise management to women entrepreneurs.

### **The Minimalist and Integrated Models: A Lack of Consensus**

There is a surprising lack of consensus in fundamental design decisions related to the degree of integration of financial and enterprise development services provided. The decision to adopt a minimalist or integrated EDFs project design appears to vary among projects in the same country, even when projects address similar target populations with similar EDFs needs in the same sector.

There are minimalist credit approaches in three countries, and integrated EDFs projects in three others. Three projects offer very limited enterprise development services and no financial services, while others offer an integrated package of enterprise development services. WEMTOP's Indian initiative will offer a "package completion approach", providing business management training to those with access to other credit and other EDFs services.

While there is no standard minimalist or integrated approach which consistently yields satisfactory results in all economic conditions and cultural settings, project experiences indicate that there are lessons which could lead to project design guidelines. For example, it appears that in the absence of institutional arrangements that address the EDFs needs of low income women clients, a more direct targeting approach of women clients may be required. This is also true when cultural considerations make access to existing services difficult for women clients.

The most effective, sustainable approach is to move beyond special programs and targeted credit lines to institutional arrangements that provide access to EDFs to women as part of a wider client population. Subloans would then be chosen based on economic and financial considerations, and could be priced accordingly. Training and technical backstopping would be offered based on needs assessments regardless of the gender of the participant. Subsidies would not be required at the institutional level after the initial establishment and development of outreach and delivery systems. At the subborrower level, interest rate subsidies do not seem justified under almost any circumstances, since they tend to lead to inefficient, unsustainable investment choices by the enterprise operator.

### **Women Clients' Access**

Project experiences of the Bank and other donors identify several factors which contribute to access to EDFs for women clients. There are three access-related design characteristics which have led to success: i) enterprise training services which take women's needs and constraints into account, ii) female staff members in the promotion and implementation of project services, and iii) the incorporation of NGOs which have well-developed community level networks and experience working with women clients.

There are four projects in South Asia which meet the three access-related criteria. Interestingly, they have little in common, illustrating the potential for expanding on the concept of designing access into a project regardless of size, sectoral affiliation, importance of the EDFs/W component, or geographic setting. The four examples are the National Sericulture Project in India, Pakistan's Agricultural Credit Project and Microenterprise Project, and Sri Lanka's Poverty Alleviation initiative. All of these projects are still in the early stages of implementation so it is not possible yet to judge whether the inclusion of these criteria is enough to create access for women and increase project effectiveness.

None of the East Asian projects meets all three access criteria. These findings could be due to the fact that, in general, East Asian women face fewer barriers in gaining access to mainstream EDFs systems. None of the five credit-oriented projects use NGOs to target women

clients. Only the Philippines Cottage Enterprise Project provides specialized enterprise training for women, and this appears to be limited to banking requirements and procedures. East Asian projects which do not offer financial services also appear less likely to include female staff or provide specialized training for women clients than their South Asian counterparts.

### **Business Orientation and Institutional Sustainability**

A project may *reach* women clients but fail to become institutionally and *financially sustainable*, if it has a welfare rather than business orientation. In such cases, improvements in access for women are shortlived. Two proxies for sustainable financial services are i) positive interest rates applied to subloans and ii) savings mobilization which provides access to clients and relatively inexpensive funds to the institution. The Subsidy Dependence Index (SDI) complements these proxies, permitting the identification of the sources and uses of subsidies in a financial intermediation arrangement. It should be applied routinely so that project designers visualize the costs of services and outreach involved, and the path which will enable the financial institution to become financially independent within a reasonable period of time.

### **Disaggregating the Concept of "Microenterprises"**

There is little appreciation of the variety of needs, goals, risk profiles, investment opportunities and barriers faced by women operating enterprises. Bank projects tend to deal with enterprises as a homogenous group, failing to appreciate the implications that diversity within the target population may have on the impact of EDFs/W provided by the project. A disaggregation into four distinct stages of enterprises would lead to more accurate needs assessments, more appropriate delivery mechanisms and improved service redesign as client needs change. As previously discussed, these four enterprise stages are i) subsistence enterprises, ii) new microenterprises, iii) growth-oriented microenterprises, iv) mature microenterprises and small scale industries.

The Bank has traditionally focused on small scale industries and mature microenterprises. However, an analysis of the project portfolio shows that South and East Asia region projects are increasingly choosing to work with subsistence enterprises and new microenterprises managed by women. The project's goals should determine which target group is most appropriate. Projects concerned with poverty alleviation would tend to work with subsistence enterprises, though an interest in jobs creation or technology transfer might also lead them to target growth-oriented or mature microenterprises. Other projects more concerned with increasing exports and improving product quality might conclude that the small scale industry level is the most appropriate entry for EDFs/W assistance.

Gender issues often play a key role in project success, regardless of the enterprise level selected. Higher repayment rates, more reliable participation in group activities and high reinvestment rates tend to characterize women's participation in enterprise development, credit and savings projects in many countries in Asia.

## **The Need for EDFs/W Guidelines for Operational Staff**

The rapid growth of EDFs projects which attempt to reach women clients has been tempered by the lack of clear guidelines for operational staff on how to design such projects in a way consistent with O.D. 8.30. To support effective and financially sustainable EDFs/W programming in the future, the Bank needs to develop experience-based guidelines which support the decision to move away from subsidized credit and focus on achieving both access for women and long term financial sustainability for the institutions involved in EDFs/W projects. One particularly promising approach has been *group lending*. There is a need for guidance on ways that financial institutions can reach clients that have traditionally been outside the mainstream, such as women and small farmers, while maintaining a business orientation and emphasis on financial viability.

### **Training Needs of Bank Project Designers**

The challenges involved in designing an effective, sustainable EDFs/W project warrant special training for those involved in the identification of project opportunities, development of targeting strategies, and efforts to build the capacity of implementing institutions. Effective training could be based on a combination of "best practices" cases and lessons learned based on the experiences of Bank and non-Bank EDFs/W projects.

There are 3 areas which should be included in staff training. The first area includes strategic design issues, including group formation for credit and savings activities, and targeting alternatives. Another area would cover institutional considerations, such as administrative decentralization and cost controls, the use of female staff members, and the development of management information systems. A critical topic in this area is the measurement of subsidies, their allocation in the short term and elimination over time. The third series of training topics would emphasize enterprise level concerns, such as value added options, product development and market expansion.

This training would provide project designers with the tools necessary to help implementing institutions achieve the *financial discipline* cited as a core concern in O.D. 8.30, and still reach women and other marginal groups which are recognized as legitimate clients of the Bank's EDFs efforts. With these tools, project designers may find ways to overcome local cultural and economic constraints women face and incorporate them as full-fledged members in enterprise development and financial services projects in South and East Asian countries.

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## **ANNEXES**

## **Annex 1**

### **Methodology Notes (Project Characteristics Definitions)**

To identify trends in the EDFs/W project sample, 41 characteristics were included in the database. Comparisons and identification of trends were performed with the PARADOX Package. The database system is available through the Gender and Poverty Team, in the Asia Technical Department's Environment Division (ASTEN).

<b>Subregion</b>	Two regions were developed, including South Asia and East Asia. In line with the 1991 Bank reorganization of regions, Pakistan was included in the South Asia project sample.
<b>Year</b>	The year that the SAR was submitted was considered the year that the project took effect, although project activities and final negotiations with implementing institutions were not complete. The focus of this review is on project design, not actual project impact.
<b>Sector</b>	The Bank's sector breakdown includes agriculture, industry, population and human resources, and infrastructure. There were no multisectoral projects which the two key criteria for inclusion in the sample.
<b>Bank\$</b>	The financial support provided by the Bank (whether IDA or IBRD funding) was used to measure the extent of the Bank's financial commitment (compared to total project cost).
<b>Cofin</b>	Cofinancing arrangements with other donors were included in this part of the database.
<b>Govt\$</b>	The financial commitment of the government (central, regional, provincial) was included in this column of the database.
<b>Part\$</b>	Participants' contributions, such as minimal equity requirements, were reflected under this category.
<b>Tot Cost</b>	The total project cost was included in the database, permitting an analysis of the relative importance of the last four factors listed above.
<b>Proj Size</b>	A large project would have a total budget of more than \$200 million, with medium scale projects ranging from \$80 million to \$200 million, and small scale projects being those with budgets of less than \$80 million.
<b>Bank size</b>	If the Bank provided more than 50% of the project budget, this was classified as a "large" Bank presence. If the contribution was from 25% to 50%, this was a "medium" commitment. Other projects were classified as "small" in terms of the Bank's financial role.

- Maj/Min** Projects were considered to have a "major" EDFs/W component if the primary focus was enterprise development. Those which devoted fewer resources (as a percentage of total project budget) and did not present indepth information on the EDFs/W activities were classified as having "minor" EDFs/W components.
- FemTar** Projects which identified women as a specific target group, whether they would be reached through direct or indirect targeting strategies, were included in this category. If a subsector was identified which had a high percentage of women producers, processors or commercial agents, this was also included.
- GenTar** Projects which did not identify women in the SAR or only used general targeting mechanisms were put in this category.
- Coop** Those initiatives using cooperatives as implementing agencies were included in this classification.
- DFI** This included projects using development finance institutions, whether based in rural or urban areas or primarily dedicated to one sector of the economy.
- SpecAg** In this category, projects were included which provided EDFs through specialized agencies (not including those which worked only with women clients).
- SpecWom** If an institution was devoted exclusively to women clients, it was placed in this group.
- SpecSm** Projects using institutions which predominantly worked with small or microenterprises were included under this heading.
- SpecGovt** This includes projects using specialized government agencies as implementing institutions.
- EDTrngF** Projects which provided special enterprise development training for female clients were included in this category.
- EDTrngM** Project which provided special enterprise development training for male clients were included in this category.
- NGOs** If non-governmental organizations were included in the project's training or other activities, they were classified in this category.
- Govt** If government agencies such as training institutes were involved in the project's training or other activities, they were classified in this category.



<b>Femstaff</b>	Projects which specifically mentioned female staff members in extensionist or loan officer positions were included in this category.
<b>Group</b>	If groups were used for EDFs/W delivery, they were listed here. Special note was made if the group was exclusively for women.
<b>Bus</b>	If integrated business management training (such as sessions on entrepreneurship) was provided, the project was placed in this category.
<b>FinMgt</b>	Projects offering training sessions on financial management (cashflow management, budgeting, accounting) were included under this heading.
<b>Mktg</b>	Projects providing marketing training were included here.
<b>Prod</b>	If basic production process training was offered, the project was included in this category.
<b>TA</b>	Initiatives providing on-site technical assistance to clients are included under this heading.
<b>Finl</b>	This includes those projects which offer credit and, in one case, grants to clients.
<b>PosInt</b>	If positive interest rates are applied to credit, the project is included under this heading.
<b>Sav</b>	All projects offering savings facilities to clients are placed in this category.
<b>Sav1</b>	This includes projects which attribute the need for savings facilities to institutional needs (such as low-cost funds generation or identification of potential clients).
<b>Sav2</b>	Projects attributing savings facilities to the need to guarantee a loan (obligatory savings as collateral) are included in this category.
<b>Sav3</b>	If savings is included due to NGO requirements or practices, the project is included here.
<b>Man/Vol/B</b>	If mandatory and/or voluntary savings systems are included in the project design, the project is included under this heading.
<b>Ind/Gp/B</b>	This factor looks at the savings mechanisms used. Special note was made if individual and/or group savings were encouraged.
<b>PosDep</b>	Projects offering savings facilities were classified based on whether positive deposit interest rates were offered to clients.

**EDDir/Ind** Projects were classified based on the targeting approach used to deliver enterprise development services (training, technical assistance).

**FinDir/Ind** Projects were also classified based on the targeting strategies used to provide financial services to clients.

**Annex 2**  
**List of Projects in the Sample**

Country	Project Name	Sector	Year	Budget (\$ million)
Bangladesh	Fourth Population and Health Project	Popn	1991	601
Bangladesh	National Minor Irrigation Development	Agric	1991	171
Bangladesh	Agricultural Support Services	Agric	1991	60
China	Jiangxi Agriculture Development	Agric	1989	122
China	Fourth Rural Credit Project	Agric	1991	550
China	Henan Agricultural Project	Agric	1991	196
China	Guangdong Agriculture Development	Agric	1992	304
China	Irrigated Agriculture Intensification	Agric	1991	593
India	Second National Dairy Project	Agric	1987	678
India	National Sericulture	Agric	1989	347
India	Andhra Pradesh Cycle Emergency Reconstruction	Agric	1991	380
India	Integrated Child Developmt Services	Popn	1990	100
India	Second Technician Education Project	Popn	1991	362
India	Agric. Development Tamil Nadu	Agric	1991	133
India	Shrimp and Fish Culture Project	Agric	1992	95
India	Maharashtra Forestry Project	Agric	1992	142
Indonesia	Second Swamp Reclamation	Agric	1984	109
Indonesia	Second BRI/KUPEDES Small Credit	Ind	1991	125
Indonesia	Third Nonformal Education Project	Popn	1992	99
Indonesia	Tree Crop Smallholder Development	Agric	1992	155
Pakistan	Agricultural Credit Project	Agric	1990	2283
Pakistan	Microenterprise Project	Ind	1991	37
Pakistan	Rural Water Supply and Sanitation	Ind	1991	194
Philippines	Cottage Enterprise Finance Project	Ind	1991	45
Sri Lanka	Badulla Rural Development	Agric	1983	18
Sri Lanka	Poverty Alleviation	Popn	1991	85
Sri Lanka	Fourth Small and Medium Industries	Ind	1991	145

**Annex 3**  
**EDFS Projects Which Do Not Mention Women Clients**

Projects which include EDFs activities but do not specifically mention strategies which would provide access to women clients include the following initiatives. (Dates provided are for the Bank's fiscal year.)

1.	Bangladesh	BWDB Systems Rehabilitation Project	1990
2.	Bangladesh	Private Sector Industrial Credit Project	1992
3.	Bangladesh	Third Fisheries Project	1990
4.	China	Daguangba Multipurpose Project	1992
5.	China	Ertan Hydroelectric Project	1991
6.	China	Second Industrial Credit Project	1984
7.	China	Tarim Basin Project	1992
8.	Indonesia	Provincial Irrigated Agriculture Development Project	1991
9.	Indonesia	Transmigration V Project	1985
10.	Indonesia	Urban Development Project (Java and Bali)	1991
11.	Maldives	Third Fisheries Project	1992
12.	Papua New Guinea	Third Agricultural Credit Project	1986
13.	Philippines	Rural Finance Project	1991
14.	Sri Lanka	Industrial Development Project	1983
15.	Thailand	Second Land Titling Project	1991
16.	Vanuatu	Housing Project	1991

**Annex 4**  
**Objectives and Measures for EDFs/W Projects**

There are a variety of objectives which project designers could choose. The most common objectives, as well as specific measures that can be taken to achieve them, are presented in the following table.

POTENTIAL PROJECT GOALS	MEASURES THAT CAN BE TAKEN
To increase a woman client's net income	<ol style="list-style-type: none"> <li>1. Provide credit in amount, timing, and repayment conditions (grace period, installments or lump sum) which match the cycle of her productive activity</li> <li>2. Provide alternatives to traditional production/processing/marketing activities</li> <li>3. Increase the supply of inputs (provide brokering services)</li> <li>4. Increase security of supply of inputs (joint stocks/storage of key inputs)</li> <li>5. Increase number of potential clients for women entrepreneurs' products</li> <li>6. Increase access to the sales point (usually the workshop, farm)</li> <li>7. Provide labor saving devices related to production (resulting in increased output levels)</li> <li>8. Provide quality control systems to increase value</li> <li>9. Provide training, TA related to horizontal or vertical integration (value added by the firm increases)</li> </ol>
To increase a woman's control over income	<ol style="list-style-type: none"> <li>1. Mandatory savings system with account in woman's name only</li> <li>2. Support activities that result in income in season(s) when women is acting as head of the household</li> <li>3. Link reinvestment in the productive activity to continued EDS provision (may be in the form of forced savings or increased client equity holding)</li> </ol>
To increase women clients' access to formal sector services	<ol style="list-style-type: none"> <li>1. Create links between women producers and institutions which offer appropriate skills for future enterp. needs (financial, training, TA, brokering, and other marketing services)</li> <li>2. Field trips/early TA role for institutions' staff members</li> <li>3. Provide regular reports on project activities (loans, savings, group activities, technical results)</li> </ol>

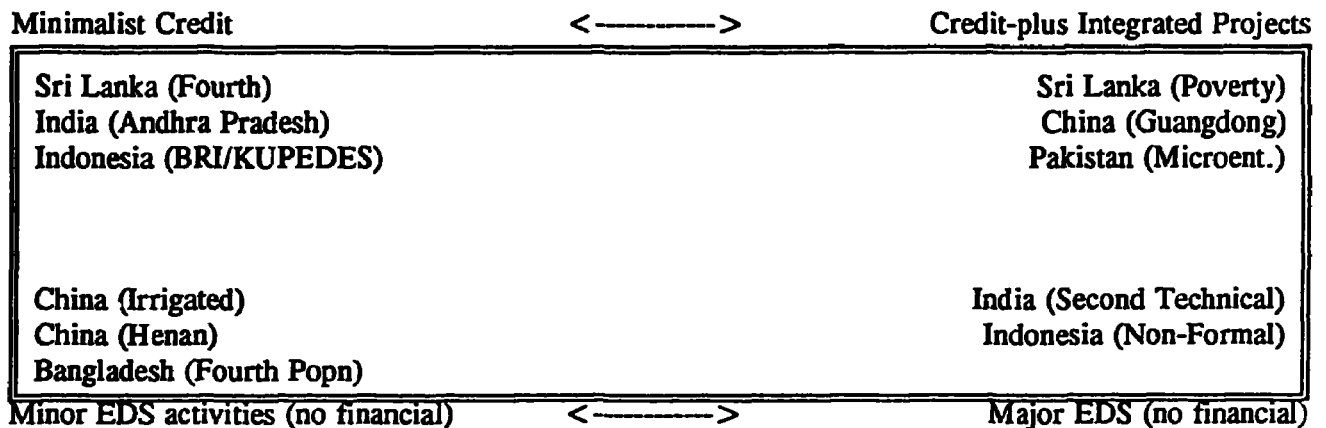
POTENTIAL PROJECT GOALS	MEASURES THAT CAN BE TAKEN
To increase the capital stock of the enterprise	<ol style="list-style-type: none"> <li>1. Study savings needs, preferences of women clients in savings component design stage</li> <li>2. Provide savings facilities</li> <li>3. Increase loans based on savings accumulated</li> </ol>
To increase management skills of women entrepreneurs	<ol style="list-style-type: none"> <li>1. Provide business skills training (Nonformal education techniques which match the needs, timeframe and other conditions of women clients)</li> <li>2. Train loan officers in management skills and NFE techniques</li> </ol>
To increase women clients' access to information and project extension services	<ol style="list-style-type: none"> <li>1. Design/change content of extension messages to match the time, location and other needs of women clients</li> <li>2. Train existing/new project staff to reach women effectively</li> <li>3. Target promotion/extension services to women in groups, rather than to individual clients</li> <li>4. Link project activities to existing women's groups (if basic participant characteristics, profile match)</li> <li>5. Provide homestead demonstrations</li> </ol>
To increase institutional sustainability	<ol style="list-style-type: none"> <li>1. Promote, provide savings facilities which reflect the risk, access and likely time of deposit by women</li> <li>2. Set interest rate on loans based on actual costs of providing credit (including loan loss reserves)</li> <li>3. Link investment in bank branch structure to activity levels of loan portfolios</li> </ol>
To increase the level of gender sensitivity of the implementing institution	<ol style="list-style-type: none"> <li>1. Provide training to various levels of the institution in women's needs and related opportunities</li> <li>2. Promote exchanges with potential women clients</li> <li>3. Encourage institutions to hire women as field extensionists, loan officers</li> </ol>
To establish new enterprises managed by women	<ol style="list-style-type: none"> <li>1. Present steps of legal registration if required</li> <li>2. Present feasibility study training</li> <li>3. Link women to credit sources or provide investment/working capital as required</li> <li>4. Provide production-oriented training</li> <li>5. Offer short-term brokering services</li> <li>6. Offer infrastructure services (e.g. industrial parks/basic services)</li> <li>7. Provide vocational/technical training</li> </ol>

<b>POTENTIAL PROJECT GOALS</b>	<b>MEASURES THAT CAN BE TAKEN</b>
<b>To increase a woman's sense of empowerment</b>	<ol style="list-style-type: none"><li>1. Promote group formation, with women as group leaders</li><li>2. Promote interactions between women and formal sector agents</li><li>3. Provide problem-solving training</li><li>4. Train project staff in gender issues</li></ol>
<b>To establish sustainable community level groups to provide future support to women clients</b>	<ol style="list-style-type: none"><li>1. Foster establishment of women's groups</li><li>2. Assist in legalization of groups, if deemed to be necessary/appropriate</li><li>3. Provide basic leadership training</li></ol>

**Annex 5**  
**Design Variations in the Asian EDFs/W Project Portfolio**

I. There appears to be an unintentional EDFs/W project design experiment underway in several Asian countries. The following graph illustrates project design variations along two key axes: (1) minimalist credit versus an integrated "credit-plus" model, and (2) the number of enterprise development services provided in projects offering no financial services.

**EDFs/W Design Variations in the Bank's Asia Region Project Portfolio**



II. A comparative analysis of these projects could offer valuable insights into what works in a given cultural and economic setting. Hypotheses which could be tested include the following:

- (a) The determinants of institutional self-sustainability are related to the choice of EDFs/W services provided, pricing policies and administrative cost control decisions.
- (b) Women clients will invest the time necessary to absorb several business-related training messages before establishing a viable enterprise.
- (c) The success of a minimalist or an integrated approach will be affected by the stage of microenterprise targeted. Likewise, the content of training should vary with the stage of microenterprise involved.
- (d) The sector and urban/rural location of a project influences the choice of EDFs/W services which can be offered to women clients in a sustainable way.

III. An appreciation of the various approaches and a comparison of the results in terms of gender issues, financial sustainability, cost effectiveness, and training application could prove enormously valuable in the future to those charged with EDFs project design in Asia.



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