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INTERNATIONAL PROGRAMME ON THE ELIMINATION OF CHILD LABOUR
Mekong Sub-Regional Project to Combat Trafficking in Children and Women
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Technical Intervention Area Summary Notes: TIA-3

MICRO-FINANCE INTERVENTIONS
TO COMBAT THE WORST FORMS OF CHILD LABOUR, INCLUDING TRAFFICKING

Precursor

Families and communities can move along a continuum from absolute poverty to longer-term economic security with income generating assistance. As such they will be in a better position to send their children to school, and/or obtain decent work.

Many agencies that address trafficking do so by offering some form of credit and/or income generating assistance. The overarching term for these services is ‘micro-finance’ interventions as it usually requires money (which the poor don’t have access to). However, the effectiveness of such services varies, and often has little impact on the economic situation of the beneficiaries – and sometimes even leads to increased indebtedness where ‘credit’ is offered to those that will not be able to sustain a micro-enterprise.

Micro-finance interventions include ‘capital’, ‘savings’, and ‘group formation’ and need to be offered in conjunction with ‘business development services (BDS)’ such as ‘enterprise development’, ‘market appraisals’, and ‘marketing research’ - and work on a ‘conducive policy environment that removes impediments’ to income generation. All these areas are touched upon in the below, and should be read in conjunction with other TIA-papers, in particular the one on non-formal education and rural skills training interventions (TIA-2).

Micro-finance services may be targeted at children older than 14 years of age, and parents whose children are at risk of being trafficked. The suggestions below should not be seen as ‘blue-prints’ but should be interpreted in specific local contexts as there is no ‘one-best’ solution.

1 MICRO FINANCE INSTITUTIONS (MFIs)

1.1 General Overview

- Micro-finance institutions (MFIs) have recently set the trend for activities of poverty alleviation in some countries, but only where the legal framework is in place. Standards of MFIs within these legal frameworks vary greatly;
- Many NGOs do not want to be MFIs but can function effectively within their contexts;
- Linking to sustainable MFIs is a key to creating client trust for smaller NGOs with income-generation activities;
- Ineffective practices of MFIs have included: rigidity in the design and a commodity orientation; unsustainability (through providing subsidized direct credit); excessive dependency on

budgetary appropriation and external funding; and, dismissive of savings mobilization (believing that the poor cannot save);

- In order to make micro-finance successful in a bank operation, it is suggested that the following is established:

  - ✓ **Understanding**. Task Team Leaders (TTLs) must have basic knowledge of the rationale for micro-finance, the best practices, the lessons learned and the fundamental dos and don'ts. They must understand how these lessons relate to the country and to the demand of the target market;
  - ✓ **Clear Objectives.** The TTL should have a clear vision of what the micro-finance activity can achieve. Distinct, realistic and measurable goals should be defined. Micro-finance should never be confused with welfare;
  - ✓ **Expertise.** An experienced micro-finance specialist should be called upon at all the important stages of the project preparation and implementation;
  - ✓ **Commitment.** Management must be supportive of the micro-finance activity and understand its implications, including providing adequate resources given the high design and supervision costs, small loan amounts involved and the importance of policy dialogue;
  - ✓ **Monitoring.** TTLs must ensure that adequate management information systems are built into the micro-finance activity and that the counterparts understand the Bank 's monitoring and reporting requirements. These should be rigorous but not too constraining;
  - ✓ **Supervision.** Particularly in the early days of the project, supervision must be frequent and intensive. Enough staff and consultant weeks must be budgeted;
  - ✓ **Continuity.** As for all activities that require a lot of attention and nurturing, continuity of staff and consultants is essential. This is also true, of course, for the staff in charge of implementing the programme in the country;
  - ✓ **Flexibility and Simplicity.** The micro-finance activity must be designed in such a way that it can be modified to adjust to changing conditions or demand. Its methods and services must be simple and appropriate to the context;
  - ✓ **Opportunity, not charity.** Subsidies should be aimed at building the capacity of micro-finance providers over a determined period of time. Capacity-building grants should cover both the up-front costs required to build a sustainable financial institution and social intermediation costs to help disadvantaged groups access the financial services. Beyond that, providers should reach sustainability through efficient management of financial services at real interest rates;
  - ✓ **Policy Dialogue.** Policy dialogue must be conducted at all times to ensure that the micro-finance activity receives support from the government and that appropriate policy changes are implemented to foster a conducive environment for micro-finance.

1.2 Lessons Learned from MFI Experiences

- **Offer services that fit the preferences of the client.**
  - ✓ Proximity to the service provider;
  - ✓ Simplicity in the loan application;
  - ✓ Accessibility;
  - ✓ Individual loans;
  - ✓ Competitive interest;
  - ✓ Flexibility;
  - ✓ Close monitoring of loan utilization.

- **Simplify and standardize operations to reduce loan transaction costs.**
  - ✓ Recruit staff from local communities (communes);
  - ✓ Use commune credit committee for initial screening and loan appraisal, loan disbursement, loan monitoring, loan collection, acceptance of deposits and withdrawal of savings;
  - ✓ Simplify application procedure to reduce time for appraisal;
  - ✓ Simplify and decentralize loan decision-making procedures;

- **Ensure good loan repayment.**
  - ✓ Assess the environmental and economic risks prior to initiating lending;

- ✓ Carefully screen client families and income flows;
- ✓ Skillfully evaluate client's business plan;
- ✓ Rely on track record and physical collateral for larger loans;
- ✓ Ensure clients are clear and familiar on loan terms and conditions, procedures, loan contracts, penalties, etc.;
- ✓ Develop mechanisms to facilitate on-time repayment, quick follow-up on late loans and verbal reminders on credit officer 's visits;
- ✓ Motivate clients to repay on time by creating incentives – fast repeat loans, increase in loan sizes;
- ✓ Enforce repayment mechanisms – use guarantor pressure, village leaders or local authorities in difficult cases but not where reasons are beyond the control of the client;
- ✓ Allocate appropriately for risks – loan loss provision.

- **Charge appropriate interest rates.**
  - ✓ Interest rates should cover all operation costs, loan loss, financing costs, costs of capital and surplus for future expansion.

- **Know your clients and their constraints.**
  - ✓ Know environmental risks beyond the control of the clients – natural calamities, pests, lack of law and order, etc.;
  - ✓ Consider some client-friendly approaches, such as reasonable grace periods before charging penalties and loan re-scheduling on a case-by-case basis.

- **Understand and maintain customer satisfaction.**
  - ✓ Retain good clients while bringing in new client;
  - ✓ Assess drop-out rates and perform periodic client audits.

- **Work to build long-term sustainability at all levels.**
  - ✓ Explicitly target the poor;
  - ✓ Set interest rates at market levels;
  - ✓ Make use of groups initially but do not feel bound to them forever;
  - ✓ Mobilize capital through locally generated savings;
  - ✓ Allow the borrower to control his/her investment;
  - ✓ Expect and ensure high repayment rates;
  - ✓ Establish clear rules and transparent record keeping systems;
  - ✓ Plan for potential scaling up of the project.

1.4 Capital

- Simple credit has always been a community activity in the Mekong sub-region but has become formalized as micro-credit systems are set in place;

- Demand for micro-finance services is not always 'real'. Small loans to vulnerable poor are often for 'survival' while the loan applications are often 'for business';

- Many small micro-credit organizations are not as interested in being sustainable, as in using credit as a vehicle for empowerment, self-esteem building, and social cohesion;

- Supply-led credit activities can lead to subsidized, and consequently, non-sustainable projects;

- Short-term projects (1-3 years) for credit and savings achieve very little in the longer term;

- All credit is debt. Capacity for debt among the poor must be considered;

- Credit should be for the poor with opportunities rather than for the poorest of the poor.

1.5 Savings

- The poor can and do save, but until the 1990s many project designers and implementers ignored this fact;

- Putting in place viable savings products rather than providing credit is the best first step for any financial services project;

- The following factors influence people 's decisions to save: security of savings, confidence and trust in the repository of the savings, the liquidity of the savings option, the transaction costs, and the real interest rate;

- Savings mobilization and linking clients to other financial services is the most appropriate path for small organizations (NGOs);

- Savings mobilization benefits the economy directly because it increases the resources available for all types of productive investment;

- Attracting depositors may instill a stronger demand-orientation and thriftiness in MFIs' operations and increase public confidence. As savers become important stakeholders in deposit-taking institutions, the latter are forced to improve their product variety and efficiency of services. Effective prudential regulation and supervision can increase the public 's confidence in an MFI 's financial operations;

- Below are some key considerations to successfully mobilize small and micro-savings:

  ✓ Economic reform and financial sector liberalization results in increased competition among MFIs and will broaden the financial products offered, particularly savings, and incorporates new groups of customers, particularly the poor;
  ✓ Governance, ownership and reputation of the institution are crucial in attracting savings because they lend to (or detract from) depositor confidence about safety of savings;
  ✓ The closer the institution or NGO gets to its customers, the larger the number of small depositors with access to savings facilities;
  ✓ Individual, voluntary and open-access savings accounts have proven most successful in attracting savers;
  ✓ Managing risk through strict borrower screening, diversifying the loan portfolio, monitoring borrowers and following sound provision policies is essential;
  ✓ Prudential regulation and effective supervision provide guidelines for sound financial management practices to safeguard the interest of depositors;
  ✓ Administrative costs are lowered through designing simple savings products, offering differentiated interest rate systems with no interest on low-balance accounts and maintaining lean field offices with the same staff handling lending and savings services. A performance bonus system instills high levels of operational efficiency and encourages savings mobilization. Access to an internal or external liquidity pool reduces cash-holding and the proportion of non-earning assets keeping in check operating costs.

1.6 Groups and Group Formation

- While groups are not an essential methodology for a micro-finance project, they are the most popular method for service delivery. Group formation can be problematic especially when groups are based solely on a contractual basis;

- If groups are to be formed, they work best when there is a commonality of traditions, experiences and needs;

- Much time must be set aside for the task of cohesive group formation to ensure that trust develops to a level whereby solidarity can be achieved;

- The chosen methodology of micro-lending should depend on the community context;

- There are several recommendations to constructing a successful peer group lending programme:

  - ✓ The client population must have ongoing business or prior experience, have a majority of women in most settings, and be a mix of manufacturing, service and trade;
  - ✓ Groups should select their own members, be comprised of three to 10 members (one member per family), and group leaders should be selected by the group;
  - ✓ The operations should be decentralized and the extension staff should work in the communities, overcome cultural barriers to formal institutions, and become knowledgeable about the clients' business environment;
  - ✓ The loan amount and terms should be appropriate to client needs, the loan size should increase as business and client experience grows, and terms should range from quarterly to annual;
  - ✓ The application for a loan should be limited to basic information, not require standard project credit analysis and the applications should be turned around in three to seven days;
  - ✓ Interest charges should be supplemented with other fees, borrowing charges should oftentimes exceed commercial rates and total charges should cover real lending costs;
  - ✓ There should be incentives and sanctions for on-time repayment, future loans should be pegged to the group's repayment, and up-to-date information systems should alert staff to delinquencies;
  - ✓ Savings facilities should be valued by group members, intra-group emergency funds should serve as a safety net, and savings should be included within a funds management strategy;
  - ✓ Training should build upon existing client skills, cost effective and responsive training methods should be developed, and self help organizations should address social and economic needs;
  - ✓ The lender should demonstrate borrower trust through solidarity group operations, the lender should be obliged to provide a service of value to borrowers, and there should be an effort to generate borrower loyalty and mutual accountability.

- Working Capital Assistance (WCA) is an important input in the process of developing self-help groups. WCA increases the common fund and thereby enables the group to grant larger loans to its members. Furthermore, the interest earned by the group increases its own fund, thereby ensuring greater self-reliance and less dependence on the outside agency;

- Since it is given to a group on account of its good performance, WCA provides an incentive for good group work. WCA should clearly be seen as a reward for good group functioning. Appropriate requirements for group attendance at meetings, regular savings, good decision-making processes, good discussions, timely repayment of loans and proper utilization of loans;

- WCA helps enhance the decision-making and managing capacities of groups by providing them opportunities for managing larger amounts.

2 BUSINESS DEVELOPMENT SERVICES

2.1 Enterprise Development

- Micro-enterprise development is not necessarily the best way out of poverty for all people, certainly not if it requires debt;

- When working with clients at the livelihood level, support services need to be adapted to those that want to 'do business' versus those that want to 'have a business';

- Training in setting up and managing a business is absolutely essential in micro-enterprise development;

- Micro-credit is certainly worth considering if markets for their products are available and accessible;

- Community enterprises and cooperatives can be very effective income-generation systems where there is good management, solid group formation, a high level of trust, and a proper market needs assessment;

- Enterprise development requires specialist skills; dedication alone, or humane-ness, are not enough. Staff of MFIs, or aspiring MFIs, should have or obtain knowledge and understanding of business development to implement client-centred financial services to the poor, before starting any programmes;

- The support of a business mentor is seen as crucial in advanced economies and could be mad available through business development centres, although these are usually for growth-oriented enterprises;

- Business management services, technical services, marketing services, and referral services are seen from international experiences to be essential for enterprise development. These can be sophisticated services for growth-oriented small or medium enterprises or, at the other end of the scale, livelihood projects where the use of credit to generate income is the aim. Programme implementers should study available information on these four areas so that they can have the depth of understanding required to successfully support their clients.

2.2 Marketing and Marketing Research

- Market research must be carried out by people with real expertise;

- In rural areas, obtaining information on market potential and risks is crucial prior to starting a business;

- Products must have a defined market before an enterprise begins;

- Marketing of products must be understood before production;

- Project workers must be innovative and broad thinking in their bid for income generation for families and communities.

2.3 Other Support Services

- Support through insurance-product development strategies:
  - ✓ Savings are more effective than insurance in reducing vulnerability to economic stresses, but insurance provides more appropriate protection for larger losses that occur less frequently;
  - ✓ Transaction costs can be reduced by layering insurance transactions on top of the delivery of other financial services;
  - ✓ Savings accounts are a more effective foundation for delivering insurance services than loans because the credit-insurance link only provides coverage when a client has an outstanding loan;
  - ✓ A savings-insurance link increases the likelihood that low-income clients with irregular income flows can access insurance.

- Support through health components:
  - ✓ When health expenses increase sharply and/or suddenly, or death occurs within families, the vulnerable poor can be plunged into heavy debt. Thus, in conjunction with its credit component, projects may include a health component such as direct grants of food or simply education in nutrition and appropriate health-seeking behaviour;
  - ✓ As families move into more secure survival situations, the need for such adjuncts to loan projects diminishes. Proponents argue that to leave out this component initially with the ultra poor minimizes the success of livelihood activities;

- ✓ While such health resources are grants by the implementing agencies at the 'livelihood' level, they can be subsumed into the health insurance aspects of non-financial services of more developed enterprises.

- Support through grants (micro, support, seeding) may well be essential as a start in some circumstances and should not be overlooked. Neither should infrastructure projects in economically depressed areas be ignored;

- The following are things to take in consideration when utilizing Micro Grants:
  - ✓ Where the poor are in a situation of crisis, such as those affected by natural disasters from cyclones, floods, earthquakes, etc. or as displaced persons on account of conflict, then it can be appropriate to provide micro-grants in order that these people can rebuild their livelihoods and replace lost assets;
  - ✓ Micro Grants should be carefully targeted to those whom micro-credit cannot serve in a particular context, such as the destitute poor and temporarily displaced persons;
  - ✓ Micro Grants should be one-off and include a graduation process to market-based mechanisms, such as micro-credit;
  - ✓ Micro Grants should be carefully structured and monitored to ensure that they are spent as intended;
  - ✓ Micro Grants should be accompanied by training or mentoring when grants are intended for productive purposes;
  - ✓ Micro Grants should require a cash contribution of at least 5 to 10 percent of the grant value from the grant recipient;
  - ✓ Micro Grants should not finance investments that result in income streams that could be used to repay a loan from a micro-finance institution.

- Rather than accumulate debt by purchasing a much needed piece of equipment (rice husker, sewing machine, bullock, sprayer, etc.), the facility to rent it is sometimes a far better option for a very poor family. An NGO can rent out required equipment, covering the cost and the depreciation with weekly or monthly payments. A common practice is that the rent can be used as payment for the equipment, when sufficient money has been earned by the renting client.

- For the absolute poor, part-time opportunities for payment of services from the NGO can be created for tasks carried out, such as committee meeting organizing, some simple research and supplying lunches to visiting personnel or NGO personnel. This small casual money can make a huge difference to families that are desperately poor and, in fact, can assist them with cash flow immediately without the burden of debt. Additionally, other work for the poor for development NGOs can include:
  - ✓ Oral histories recorded and produced for sale (each contributor being paid for their history);
  - ✓ Pictorial studies of a specific place done by local people, produced and sold (each photographer paid for their photographic contribution);
  - ✓ Local people paid to train others in their specific skills – painting, theatre, story telling, weaving, cooking, etc., where these skills are marketable.

- Scholarships for children of poor families can assist with their additional income by taking away responsibility for some or all of the educational payments. Additionally, general assistance such as after-class tutoring, safe haven for homework, or resources to enable the children to complete assignments at the quality level of other children are other non-financial services that can be considered;

- Training in life skills enhancement (health, literacy and numeracy) have been successful adjuncts to income-generation projects.

3 CONDUCIVE POLICY ENVIRONMENT

- Any programme to assist the poor in rural areas requires a full assessment of social (including land ownership), infrastructure, political and economic (including product, service and capital markets) factors for it to be able to address local issues impacting on the potential to assist people who need it, particularly the extremely poor, and to help move them out of poverty;

- Addressing infrastructure problems (water, roads, electricity, etc.) is essential for a remote rural community to be able to help themselves. Where this is difficult, advocacy with policy makers and donors can be a fruitful step toward changing the context in which a community is living. Income-generation activities should try to include these aspects;

- Infra-structural developments have a direct impact on the viability of micro-enterprises. Therefore consider the infra-structural context and possibilities to 'build' through community organization by using local labour. Successful low-cost examples include:
  - ✓ Wells built save time and effort of women;
  - ✓ Small scale water supply to a village for personal and home garden use;
  - ✓ Roads to the market made useable;
  - ✓ Irrigation improvements to increase harvest;
  - ✓ Alternative electricity sources developed – bio-gas, solar power;
  - ✓ Accessible medical and educational facilities in rural areas;

4 CROSS CUTTING ISSUES

- An understanding of the community context is essential for effective income-generation projects; this includes historical and cultural aspects, such as gender;

- Access to all aspects of micro-finance will lead to empowerment of women when the issue of gender inequalities in each cultural context is addressed;

- Welfare support may be more appropriate for extremely poor people than 'credit' and 'business';

- A management structure that suits the context is very important for efficiency and effectiveness;

- Management practices of the implementing organization should be business-like;

- Permanent and reliable access to financial services that are trustworthy and established is far more important than cheap credit without these conditions;

- Interest rates should be at market rates even for small NGOs and can be a tool for project sustainability, at least at the operational and financial levels;

- While donors want sustainability of projects, it is not always easy to achieve it in all contexts with all client groups;

5 ACHIEVING SUSTAINABILITY[1]

- **Institutional sustainability**
  - ✓ Develop good governance – recruit capable board members with expertise, experience and commitment to the organization;
  - ✓ Build a strong management team (not a one-person show) and competent staff;
  - ✓ Build strong institutional systems – policy and operations manuals;
  - ✓ Develop mechanisms for staff appraisal;
  - ✓ Ensure a plan and allocate budget for first-time orientation and periodic training of staff.

- **Operational sustainability**
  - ✓ Increase the scale of operations – number of clients and volume of lending without affecting the quality of the portfolio;

[1] This formula is based on the assumptions that: (1) A legal framework gives an enabling environment in which sustainability can occur; (2) Personnel managing and developing the schemes have knowledge skills and personal experience to develop the schemes; (3) A group (NGO) has sustainability as an objective.

- ✓ Manage transaction costs without affecting the overall quality of services and responsiveness to clients;
- ✓ Increase spread on earnings from loan portfolio by ensuring on-time repayment and increasing the loan portfolio.

- **Financial sustainability**
  - ✓ Develop a realistic plan to increase self-sufficiency with focus on profitability of the micro-finance operations;
  - ✓ Develop a long-term plan to reduce dependence on donors;
  - ✓ Move gradually toward soft loans and commercial financing as source of funds.

6 LESSONS LEARNT AMONG NGOs

- Community development activities, conducted by skilled practitioners who can train community workers in theory and practice, have been found to have positive long-term impacts on participatory potential options for development;

- Credit programmes alone, and as a first step, do not assist the poorest and vulnerable people in rural communities. Social programmes are necessary in the first instance and, even then, only about 10 percent of people actually can or want to move into credit and business activities. For both the benefit of the members and the institution, an essential element of any income generating-project is savings;

- The people who are the poorest say that they want jobs (security), not credit (debt). Market assessments, combined with surveys of the other contextual issues, sometimes show potential for value-added enterprises. The best consultants to complete such assessments are private business people, not NGO staff;

- Cooperatives and other forms of community enterprises have proven successful in a number of countries. These can be set up by, with or for poor communities to create employment for those who prefer to work for a wage in conjunction with fellow community members who wish to manage for profit and take the risks involved. Seed capital for community enterprises for the poor and training in the specific skills, management, marketing, etc. are necessary;

- One problem that exists in almost all micro-enterprise development projects for poor people is that the product (service or goods) is developed first. Market research must be the first step in any commercial enterprise and then followed by product development to ensure that efforts are not in vain;

- Ignorance of many aspects of income generation and poverty alleviation of NGO/community workers and consultants has been highlighted in the literature as an impediment to progress. The lesson for NGO implementers of projects for poverty alleviation for the very poor is that keeping in touch with best practices via the Internet and other resources in the international networks is essential. Community members and clients of the projects should also have access to these resources and be encouraged to educate themselves. The use of consultants may be necessary for technical input at certain times. The project personnel and the community itself should develop its own library of knowledge, expertise and tools for the future;

- Where children of poor families are at risk, credit alone is not the answer. Extremely poor parents, particularly mothers, have no time for enterprise development or even petty trading if they have poor living situations, children that are ill or there is no support available. Health, nutrition, education and social capital for the children are found to be far more important initially and that type of assistance can help relieve the burden of the parents, which then allows them the freedom to make choices (within the possibilities) of livelihood activities.

6 SUGGESTIONS FOR PROJECT STAFF WORKING WITH/THROUGH MICRO-FINANCE

6.1 General

- Read about and be familiar with the whole current international discussion on micro-finance, including the various systems being used. Develop your own ideas from the issues raised internationally on where your clients and their community can fit best. Then you will not make the simple, but common mistakes (made by many NGOs) that trap people in indebtedness. You should be able to make the distinction between loans to people because they are poor (poverty lending) and loans to people to set up micro enterprises (enterprise lending), then act in the best interests of your specific clients;

- Develop your own skills in community development, market and product research and business development and, alongside the clients, give yourself the experience of risk taking so that this can develop in you a different level of empathy with the community. If you do not have the time to do this, then hire experts – real ones, who understand and who have taken risks in business (some can be business people from the community);

- Know your environment: before you make plans, find out the other agencies in the area and at each level of the structures (village, commune, state, etc.). Any MFIs, NGOs, training groups, government support organizations, knowledgeable members in the community and their skills, etc. all could help your clients. It is much better to facilitate clients using existing expert services than setting up new ones. Also, include in your research a study of the various capital markets, formal and informal (other places from which people borrow money) in your project area.

6.2 Non-Financial

- Non-financial assistance must be considered before developing activities that will produce debt. Until the basics for survival – throughout the year – are available, nothing will change in the lives of the poor. Consider infrastructure, casual payments, scholarships, etc, as first steps, but do not leave out training and community development as parts of non-financial services.

6.3 Savings

- Savings are an essential tool for all people, including the absolutely poor. So a first step should be developing savings before credit (if credit is to be introduced). Savings alone can be a worthwhile activity and should also be available in tandem with other income-generation activities. Savings are the main part of what is termed micro-finance.

6.4 Credit

- While credit certainly has a place within poverty-alleviation programming, do not look to credit as an activity that alone will get a person or family out of poverty. Credit systems suit some poor people who already have been trading a little, have family members for labour and a little business to develop into a growth-oriented business. Instead, look at credit as one tool that is used best as one part of a package of activities. Remember, credit is debt and debt can ruin the livelihood of those who already live in poverty;

- If micro-finance activities are to be introduced, then develop management skills among the community, and follow best practices regarding interest rates, outreach, savings, etc. Do not consider a micro-finance package until the clients have reached the stage of economic security (although still vulnerable) to be able to take advantage of it;

- Introduce credit to the very poor the way it was first done at the original Grameen Bank – with micro-loans, with matching short-term payments – daily, weekly, building up to suit the particular business ideas of the client. Remember, this takes much time, but for the very poor, it is an essential ingredient of their eventual success. And such credit must suit your context. Move into larger long-term credit when it is appropriate.

6.5 Enterprise Development

- Before suggesting business activities of any sort, have market research completed and know exactly the potential of all the possible products and services...and more. It will be the ‘more’ (or new products) that will probably make the money because of lack of competition or its uniqueness to the area. Work with clients to do cost analyses before deciding on any form of business. They must have full information about supply and demand and thus the impact on potential prices;

- Extend the thinking of the clients past what they know to other possibilities, especially of value-added products. For example, rather than fresh fish, produce fish products. Carry out a marketing exercise with the clients.

6.6 Other

- Set the agenda firstly through language. No longer talk about ‘beneficiaries’, but ‘clients’; not ‘credit’, but ‘micro-finance’; call economic activities ‘micro-business’, rather than ‘income generation’. Instead of ‘poverty alleviation’, use the term ‘economic security’. In other words, raise the status of those for whom you work by using appropriate language (adjusted to best suit everyday language used in an area);

- Consider the gender implications for any activities you introduce. For example, overburdening women with work and the introduction of debt in addition to their family responsibilities, or leaving a man totally out of the decision-making processes by having women-only activities, have gender implications that need to be thought through and solved before initiation;

- Where traditional cultural attitudes are going to be challenged because of the activity (like loans to women), make sure that you develop an awareness of these attitudes within the community itself, before promoting the activity. Attitudes, and their sources, must be understood so that people can move on to new ideas and accept new practices. Changing attitudes at their source requires skills in community development and attitudinal change in communication techniques.

Reference(s)
For the full text of the project paper on micro-finance interventions please be referred to the ILO TICW-project working paper entitled: ‘*Micro-finance interventions: Tools to combat the worst forms of child labour including trafficking (TIA-3)’.*