This BOOK is about poverty in the Third World and what is being done successfully by some of the poor to overcome their plight. It is also about the contribution that people and organizations concerned to help in the alleviation of poverty can make to further that effort and relieve many more people from the degradations of poverty. This book is a record of what is and can be done. It was initiated in response to the deeply felt belief by members of the Oxford Conference on Christian Faith and Economics, an international umbrella body of individuals from diverse backgrounds, that the success of credit-based income-generation programmes in poverty alleviation should be proclaimed wide and far.

The positive results of many of these programmes in generating increased incomes, employment and small enterprises for the poor were briefly reported to a meeting of the Oxford Conference in January 1987. The Conference accordingly appointed a small Project Steering Committee consisting of Dr John Chang of the Asian Development Bank, Mr David Bussau of Maranatha Trust, Dr Bryant Myers of World Vision International and myself to organize and co-ordinate the study.

The Committee outlined the main aim: 'To describe and analyse the role of income generation and wealth creation, as distinct from wealth re-distribution activities, in alleviating human poverty, with particular reference to the role and activities of Christian and other development organizations working in this field among the poorest of the poor in developing countries.'

The Committee expressed the hope that the study would serve three primary end-uses and users:

- to help make qualitative improvements to the work of development organizations (by reporting and analysing the most successful experiences and methods of others in the field)
- to mobilize additional effort and resources both public and private, in support of these programmes; and
- to report back to the Second Oxford Conference, to be held in January 1990.

After an extensive search of suitable candidates, the Project Steering Committee appointed Professor Joe Remenyi, Convener of Development Studies at Deakin University, Geelong, Australia, as its Research Leader. Professor Remenyi has had extensive developing country experience, having worked as a developing country research programme coordinator for both the Ford Foundation, 1976-8, and the Australian Centre for International Agricultural Research 1984-7. I was pleased to be able to accompany Professol Remenyi on many of the field visits undertaken for this study. In so doing, I could only note with admiration the diligence and professional skill with which he pursued his enquiries, and that this was more than matched by the intense interest and genuine compassion which he showed for the true clients of the study - the poor.

Professor Remenyi's study was enthusiastically received by the more than 100 economists, bankers, theologians and development professionals who gathered in Oxford in January 1990. The Conference accepted the main findings of the study and affected the urgent need to increase the global commitment to credit-based income-generation programme by the poor. The participants resolved to commend and promote the value of such programmes to all governments, financial institutions, organizations and individuals concerned with poverty alleviation. The Conference recommended that the study should be published and disseminated worldwide.

My colleagues on the Project Steering Committee join with Professor Remenyi and myself in expressing the
hope that this study will contribute to a clearer and better understanding of the nature and extent of human poverty, and of some possible directions in which the poor themselves, as well as those who are more fortunate and concerned in the world community including the world Christian community, and in the world banking community, may be able to respond to their most urgent plea. This is surely for the kind of help that will enhance human dignity 'by helping the poor to help themselves'.

K W. (Bill) TAYLOR

Chairman, Steering Committee
Oxford Conference Income-Generation Project September 199

INTRODUCTION

IN JANUARY 1987, an international meeting was convened at the Oxford University, England, to try to develop a better understanding of the relationship between Christian faith and economics. Conferees from across the globe explored the practical applications of this relationship in the modern world. A broad range of backgrounds and professions was represented, including economists, sociologists, philosophers and theologians, as well as business, banking and overseas development specialists. They came from fourteen countries in five continents, covering both developed and developing societies. As a group they reflected widely different socio-political views, disagreed sharply about many things but also found significant areas of agreement.

One such area affecting economic development was, for example, that the promotion of human dignity, 'is a key criterion for evaluating economic systems and structures'. How this agreed principle can be applied in a world characterized by deep divisions between rich and poor did not, however, elicit such ready agreement. The issue was hotly debated. On the one hand were those who place most emphasis upon the need for basic structural change and wealth re-distribution from rich to poor (the redistributionists) as a precondition to successful poverty alleviation; on the other hand were those who place the primary emphasis upon the virtues of self-help for income generation and wealth creation by the poor (the wealth-creationists), as the most practical and sustainable solution to the problem of poverty.

The redistributionists argued their case from the premise that chronic global poverty represents an unjust and unequal distribution of economic wealth and is essentially a structural problem reflecting the skewed ownership of the means of production, distribution and exchange. For them poverty can only be overcome by the introduction of quite fundamental socio-political structural change, such as has been advocated by liberation theologians in Latin America.

There were many redistributionists at the Conference. The wealth-creationists, also a sizeable group, had some sympathy with the redistributionist camp, and welcomed all realistic efforts towards a more just international economic order, such as the current effort within the United Nations to negotiate a reduction in developed country tariffs against developing country exports. They remained sceptical, however, of the ultimate efficacy of such efforts, pursued in isolation from the realities of the daily struggle by the poor to survive, to resolve the problem of global poverty in time to matter for the majority of the world's poor.

The wealth-creationists drew the Conference's attention to the fairly recent and rapidly growing effort of private sector development organizations - the so-called non-government organizations (NGOs) - to support the hitherto largely neglected efforts and potential of the poor to help themselves. Where the redistributionists focused on the 'causes of poverty', the new approach of the wealth-creationists focuses on the 'obstacles to escape from poverty'. This frequently takes the form of assistance to 'self-help' organizations in the Third World to develop more effective programmes of income generation, job-creation and small enterprise development at grassroots level. Most of the more successful programmes include a significant component of small-scale revolving credit, to help the poor to help themselves. This book is about these programmes, their impact and why access to credit by the poor is such an essential part of poverty alleviation.

The wealth-creationist view does not reject the need to root out injustices associated with a biased distribution of wealth and income in the world. It accepts that mass absolute poverty implies the denial of justice to the poor. The point of departure is founded on the conviction that, 'one of the most important barriers to development ... is a belief ... that the way to get ahead is through the appropriation of existing wealth, not
through productive work and investment' (Korten, 1988: 8).

In addition to this important philosophical difference, the proponents of income-generation programmes seek to draw attention to the apparent long-term sterility of 'Robin Hood' type wealth redistribution strategies of development. There is little evidence, whether taken from the study of illegal wealth expropriations or legal wealth redistribution policies, to indicate that they have anything beyond short-term, once-off asset transfer effects and little in the way of sustained positive income and wealth-generation consequences. The struggle for land reform in Asia and Latin America, the expulsion of Asian business-people from Uganda, and the failure of progressive income tax systems to redistribute wealth are three examples that seem to illustrate this in an unequivocal fashion. Similarly, some doubt must surround the relevance of cargo-cult, dole-out policies to the long-term challenge of poverty alleviation in the Third World. A permanent solution to the immediacy and perniciousness of widespread abject poverty requires more than a simple re-distribution of existing wealth from the rich to the poor by gratuitous expropriation, or excessive reliance on official social welfare and government-to-government aid.

There is no consensus as to the most important of the many causes of poverty but there is reason to believe that 'involuntary poverty' is primarily the result of events or series of events over which individuals have little control. Natural disasters are important examples, such as the annual floods that devastate Bangladesh each year, droughts such as those that South Asia and Africa experience following the failure of the annual rainy season, earthquakes such as those that have devastated Latin America, the Near East in the Soviet bloc, and the People's Republic of China in recent years. Political upheavals are similarly discom-modulating. Wars and revolutions leave a legacy of displaced persons and refugees that have been a key sources growth of numbers in poverty, especially in Africa and Latin America. Events such as these destroy assets that form the protection that rural and urban households rely upon to keep them beyond poverty. Once destroyed they are unable to withstand the next blow of ill-fate, and join the downward spiral into abject poverty. Their problem is not so much that they are now poor, but that processes take hold of their lives that prevent them from helping themselves to escape the state of poverty thrust upon them. The processes that institutionalize poverty and create a class of 'systemic poor' have been well described by Dominique Lapierre (1986) in his international bestseller *The City of Joy*.

The wealth-creationists directed the Conference's attention, therefore, away from the causes of poverty to the need to address the key obstacles to escape from poverty through wealth-creation by the poor. This was presented as a viable and effective alternative, or complement, to redistribution strategies of poverty alleviation. The wealth-creationists asked those at the Conference to focus not on hand-out style welfare strategies, no matter how unjust the current environment, but on what can be done to remove the obstacles that prevent the poor from helping themselves.

In Christian company, concern for the poor is a sine qua non of a true follower of Christ, irrespective of whether one is a redistributionist or a creationist. What is lacking is a consensus on what Christians ought to do about poverty as it exists in the developing world and among the marginalized poor who live in the n economies. For some Christians it is enough that they pray for the poor. For others something more activist is essential. Among the indigenous Christian institutions of the developing world, there are some hat have adopted a grassroots community-development approach to their ministry, dedicated to assisting the poor through income-and employment-generation projects and programmes. These cognoscenti heralded their experiences as pointing to viable and effective ways in which non-governmental organizations, including Christian and other religious groups, are melting a difference in the fight against systemic poverty. 'Where', asked those unfamiliar with this approach, 'could one find accounts of such efforts?' 'Is there a readily available source where one can read of the experiences of others that their successes may be emulated and supported?' This book has been written in response to that call.

The task of 'documenting and analysing the multiplicity of income-generation project experiences' of Christian and other NGOs in the Third World is a daunting prospect; one that is impossible without some strict definitional boundaries. The project began, therefore, by setting some limits. We were not in a position to examine the universe of relevant activities, for both the time-frame available and the budget constraints were severe. After much consultation and discussion it was decided to confine research for the book to programmes that:

- are income- and employment-generation initiatives of NGOs rather than governments
- have a reputation for success, confirmed by a review of available annual and independent evaluation reports
- incorporate a credit component, typically a revolving credit fund, to address the finance constraint
confronting individuals and micro-enterprise activities of members

- operate essentially at the lower end of the economic scale (i.e., in the ‘informal sector’), with a policy favouring small loans (i.e., often less than $100), of short duration (typically less than twelve months), for productive purposes, (i.e., income- and employment-generating, non-consumption); and

- seek to work through the private sector to develop greater self-reliance and a more favourable environment for small business development of benefit to the poor.

The three key parameters that define the domain of this study are, therefore, the private-sector focus of the development projects examined, the targeting of so called ‘micro-enterprises’, and the provision of credit-finance to fund enterprise creation and business expansion.

There are many ways other than the provision of credit in which ‘income- and employment-generation’ goals can be pursued by NGOs in the Third World: some NGOs concentrate on literacy and skills training in order to expand the range of economic opportunities open to the people with whom they work; other programmes follow an integrated ‘primary health-care’ strategy, targeted at women and children in particular, in order to reduce morbidity and raise household productivity; the more radical programmes adopt methods that seek to empower the poor by raising their awareness of ways in which they might break out of the oppression that is the source of their poverty. Such ‘liberation’ programmes can involve heated confrontation with those in whose interests it might be to retain the status quo.

The programmes examined in this book have not, in the main, followed these alternative paths to income and employment generation. Why have we eschewed them in favour of those that are best described as ‘credit-based income-generation projects’ (CIGPs)? The answer lies in our belief that these important and legitimate ways of working with the poor are not ‘key logs in the sustainable development jam’ in the unique way in which the denial of access to investment finance is crucial. In order to understand why this is so, we must turn our attention to the daily realities obvious to the poor but elusive to all who ignore the simple economics of survival in the world of the poor.

The study begins, therefore, with a closer look at the anatomy of poverty and what it means to be poor in the Third World. It is both a description and an analysis of the record achieved by some successful pioneers in ‘development for the poor by the poor’. Each of these pioneers is from the non-government, private sector, usually a not-for-profit or welfare-oriented NGO associated with ‘grassroots’ micro-enterprise promotion and support. Each of the programmes examined has in common the use of various forms of credit provision as the key assistance mechanism. In most cases also the programmes examined have a religious affiliation, frequently Christian, but none discriminate in implementing their programme between Christians and non-Christians. In almost all cases examined or reviewed in this study, the indigenous CIGP programme has at least one foreign partner. In some instances the indigenous CIGP came into being in response to the offer of financial, material, technical and spiritual support from the overseas NGO partner.

The success of the programmes is measured in material terms, that is, increased employment and family income — resulting in improved nutrition, education, and wealth — plus cost-effective and sustainable delivery of aid. In so doing the underlying thesis of the book relies on the assumption that the abolition of chronic hunger, a decline in unfulfilled basic needs, and improved employment and income-earning prospects at the household level are desirable outcomes. That is, they are positively correlated with improvement in the quality of life — in human welfare, personal dignity and self-worth — of the intended beneficiaries.

By these criteria, the study seeks to assess the development experience of the poor households that are the client group of NGOs. It also uses these criteria to investigate why they have succeeded where others have done little more than till the barren soil. The aim is to present their experiences, their stratagems, their arguments and the supporting facts in a way that can enable others to emulate and expand on the success that has been theirs alone for too long.

The brief drawn from the Oxford Conference stressed the need to target the study’s attention on how committed organizations can make a difference in the battle against systemic poverty in the Third World. While it is true that valuable lessons can be learned from failed projects (we did come across a few of these on our travels), and resource constraints forced us to concentrate on projects with a reputation for success. In so doing the project sought out examples that appear to offer the opportunity for replication and emulation, plus access to appropriate documentation that interested readers are free to follow up at their leisure. The nature of the successes we have sought to document involves several measures of ‘programme impact’ on sustained income and employment flows. By so doing there is no implication intended concerning alternative measures of success. Our field visits did bring to light some of these alternatives, especially those
typically associated with community building, capacity for self-reliance and personal expressions of pride and satisfaction with what was being achieved. These are more subjective as indicators of success than those that this study has sought to utilize. Nonetheless, it bears saying that success credit-based income-generation projects share a commitment to community building and to boosting the personal dignity and self-perception of all those involved, not least the borrower and the beneficiaries of the investments for which loans provided finance. Philosophically, the author shared a consensus with the Project Steering Committee on the unacceptable opportunity cost of allocating my research time, resources and emotional energy to the study of projects judged by others as failures. These are likely to indicate things to avoid, but they are also likely to teach more about 'how to fail' than 'how to succeed'. Research for this book has, therefore, concentrated field work on visits with projects with a reputation for success. Overall, however, it is my impression that the conventional notion of success does not sit easily in this context if left unqualified. Once one gets behind the statistics and the Published record, one soon finds that the success of the projects visited can be traced to the fact that:

- they have a reputation for having fewer problems
- they seem to have made fewer mistakes; and
- they could point to or document desired consequences of their activities more readily than others.

Consequently, the objective criteria of success which the study seeks to emphasize must be viewed in broader terms than the purely financial or quantifiable. This has involved coming to grips with processes described in the literature by terms such as 'empowerment', 'conscientization', and 'change-agents', the current buzz-words in community development circles. I am yet to be convinced that these are a useful addition to the professional jargon. If they convey a sense that successful CIGPs encourage local self-reliance, reward self-help, maximize indigenous management and promote a commitment to 'participant ownership' of the programme then I, for one, have no quarrel with these terms, for these are the elements of which success is made.

The reader should not look to this study for a recipe of how to succeed in the implementation of credit-based income-generation programmes for the poor. The ingredients of success are to be found inappropriate responses to the circumstances in which a programme is to be implemented. To be sure, there are some general guidelines that can be set down and defended, and the study has attempted to identify and present these, but the nuts and bolts of daily administration (for example, whether loan repayments should be daily, weekly or some other period by country or culture) do not lend themselves to prescriptive treatment from afar.