

Sustainable
Livelihoods
Project,
Angola



Microfinance for urban poverty reduction

Executive summary

Microfinance programmes are now widely promoted as a key strategy for poverty reduction. Although emphasis has varied between the

different agencies, it is now generally accepted that poor women and men have a right to financial services and that these can be established on a sustainable basis. Savings and credit can contribute to the livelihoods of poor households and decrease vulnerability to crises and market fluctuations. Increasing women's access to microfinance services can contribute to positive changes in gender relations and women's empowerment. Many programmes are group-based. Group formation can reinforce the development

contribution of microfinance through providing a base for collective community action, networking and advocacy, and strengthening of civil society and democracy. The effect of microfinance programmes, however, will depend on the quality of their design. Evidence shows that badly designed programmes may increase rather than reduce poverty through creating a downward spiral of debt and female-targeted microfinance may disempower women through shifting onto them the full burden of family savings and debt.

This report discusses the experience of the Sustainable Livelihoods Project (SLP) in Luanda, the capital of Angola, implemented by Development Workshop Angola in partnership with One World Action. The long war in Angola has led to large-scale migration to the capital. The majority of households are below the poverty line and most people work in the informal sector, which can often mean severe under-employment or unemployment.

The Sustainable Livelihoods Project has been successful in reaching significant numbers of poor women and men in the informal sector. The project has adapted a group-based lending methodology, bringing together elements of different microfinance models. This combines poverty-targeting through means test screening; the development of solidarity groups which are responsible for loans to their individual members; training in elementary business skills and in leadership. The project maintains a high repayment rate. Apart from delivering a much-needed financial service to its clients, it also builds the organisational skills of the client groups and their communities, thus contributing to a strengthening of civil society and local democracy.

A key role of the Sustainable Livelihoods Project has been to train other organisations, in order to rapidly expand the availability of microfinance services. The project has also been a key player in setting up a Forum for Microfinance Practitioners in Angola, which has been influential in gaining acceptance for microfinance in the country.

Development Workshop Angola

Established in 1981, Development Workshop Angola has worked continuously in the country since then. It was for years the only foreign non-governmental organisation (NGO) in Angola. It is part of a small, decentralised network of organisations – Development Workshop – which has offices in Canada and France and currently operates in Angola, the Sahel, Vietnam and Kosovo. Development Workshop Angola expanded rapidly in the 1990s and currently employs over 200 people.

Mission: to improve living conditions for the disadvantaged by empowering communities and organisations to address their development problems and opportunities, and by using practical experience to advocate for social justice.

Scope of work: includes water and sanitation, microfinance, shelter and social infrastructure, community and local initiatives, and peace-building.

Development Workshop works with: communities, grassroots organisations, NGOs, local and national governments, international institutions and the private sector.



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Sustainable Livelihoods Project, Angola

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1

Introduction

Microfinance programmes have been promoted since the mid-1990s as a key strategy for poverty reduction. Microfinance services for the poor have rapidly expanded in many countries, and many have increasingly targeted women in response to experience of excellent repayment rates. Although emphasis has varied between the different agencies, it is now generally accepted that poor women and men have a right to financial services and that these can be established on a sustainable basis. More recently attention has also focused on the potential contribution of microfinance to other related development goals like women's empowerment, democratisation, health, education, and environmental improvement.¹

Access to microfinance services can initiate or strengthen a series of interlinked and mutually

reinforcing 'virtuous spirals' of poverty reduction and social and political empowerment. Savings and credit can contribute to the livelihoods of poor households and decrease vulnerability to crises and market fluctuations. Increasing women's access to microfinance services can contribute to positive changes in gender relations and women's empowerment. Also, microfinance products can be used to fund providers of health, education and environmental services or the purchase of such services.

Many programmes are group based. Group formation can reinforce the development contribution of microfinance through providing an organisational base for non-financial services and information in areas like enterprise development, health, literacy and gender equality. Likewise,

the groups can provide a base for collective community action, networking and advocacy, and strengthening of civil society and democracy.

Examples exist of microfinance programmes which have made all of these potential contributions to development. However an increasing body of evidence shows that badly designed microfinance programmes may increase rather than reduce poverty through creating a downward spiral of debt.² Thus, female-targeted microfinance may disempower women through shifting onto them the full burden of family savings and debt. Women may not control their own incomes and men may divert more of their incomes to their own personal expenditure. Also, the poorest are often excluded from microfinance programmes, being the most difficult and costly to reach and may be seen as a credit risk.

The broader impacts of microfinance on markets, service provision and the environment are unclear because there have been no systematic studies. What anecdotal information exists suggests that where large amounts of credit are available in already saturated markets this may serve to drive down prices for products and also push out poorer people without access to credit.

Poverty is about lack of power and denial of fundamental human rights. Being poor means not having good quality healthcare, education, water, sanitation, transport and housing. Beyond these needs, being poor also means lacking job opportunities, lacking equitable access to the banking system and the marketplace, and lacking legal rights to own land or property. People who are poor often face violence and insecurity. And they lack knowledge, access to information, access to justice, and influence over decisions that affect their lives.

One World Action

A preoccupation with short-term financial sustainability has in many cases diverted attention and resources from innovation in addressing development goals. There are many ways of increasing financial sustainability. However the particular policies chosen may well undermine the contribution to poverty elimination unless this is strategically addressed and valued as an integral part of 'Best Practice'.

This paper discusses the experience of the SLP in Angola. The project, through building on client initiatives and integrating with other community development activities, has a very real potential contribution, not only to enterprise development but also to other dimensions of poverty elimination in urban Angola.

The Sustainable Livelihoods Project in Luanda, Angola

The SLP aims to:

- Develop, test, evaluate and replicate sustainable models for delivering microfinance services to the economically active poor.
- Develop, test, evaluate and replicate approaches to business development services (BDS) for the economically active poor.
- Build the capacity of local organisations to support micro-enterprises and replicate models for microfinance and BDS.
- Identify and promote improvements in business environments of the informal sector through lobbying and advocacy.

The SLP is a three-year project, launched in 1999 and funded by the UK Department for International Development (DFID). It is implemented by Development Workshop Angola, in partnership with One World Action, UK.

The main focus of the SLP is the development of poverty-targeted microfinance adapted to the Angolan context. The underlying goal is poverty reduction through developing sustainable businesses of clients. However, for the SLP, poverty reduction is defined not only in terms of increased incomes but also quality of life, increasing self-esteem, strengthening community-based leadership and solidarity. Particular, but not exclusive attention, is given to encouraging women's participation and women's leadership and developing ways of translating access to microfinance into empowerment as well as improved well being for women and their families. The programme aims ultimately to be financially self-sustaining in order to continually expand its outreach to significant numbers of poor and disadvantaged people in different parts of Angola.

Section **2** identifies key dimensions of a poverty reduction strategy in the Angolan context. It then discusses SLP's vision and the design of the programme.

Section **3** looks at the achievements of the SLP in the context of the many stark challenges of the Angolan setting. It also discusses the aims and aspirations of its clients which present opportunities for the programme.

Section **4** summarises some of the possible ways forward in the future to address these challenges and the implications for learning and funding priorities.



2

Sustainable Livelihoods Project: vision and strategies

Urban poverty in Angola

Angola is potentially one of Africa's richest countries. There is now a great opportunity for the country to realise its full potential with the promise of peace following the death of the guerrilla leader Jonas Savimbi in February 2002. This will finally make it possible to use the country's resources for development rather than military spending.³ It is now possible to start

rebuilding the economy and begin the process of political democratisation. Nevertheless, the cessation of conflict in itself will not automatically resolve all the problems which the conflict caused or to which it contributed. The continuing conflict since independence in 1975, punctuated only by short periods of peace, has created a continual drain on both physical and human resources. It has devastated physical infrastructure leading to serious disruption, or even breakdown, of

production, markets and linkages between rural and urban areas. The continual violence has led to large-scale migration from rural to urban areas overburdening urban infrastructure.

Traditional family structures and support networks have been destroyed in many areas.⁴ Large numbers of women and children are forced to manage on their own because of widowhood or desertion. The trauma caused by the violence has also led to an increase in sexual violence within and outside the household and instability in personal relationships.⁵ The constant demands of

the civil war have diverted resources, energy and skills from planning for poverty elimination or development of strong democratic structures. Angola will also continue to face the stark challenges of economic and political development which face the rest of Africa in an unequal international system.

Urban poverty is acute. Although incomes in urban areas are on average higher than elsewhere in the country, the situation of the poorest is particularly desperate and the numbers of extremely poor are increasing (see panel below).

Poverty in Angola – some stark statistics

High levels of poverty: in 1995 there were 60 per cent of urban households below the poverty line and 12 per cent below the extreme poverty line. Of the active population, 45 per cent was unemployed, with a higher percentage among women than men. Food represented on average 77 per cent of the expenses.

Increasing levels of inequality and extreme poverty: in 1995 the richest 10 per cent of the population earned 10 times more than the poorest 10 per cent. By 1998 this differential had increased to 37 times. The 2000 Household Income and Expenditure Survey showed that between 1995 and 2000/2001 there was a dramatic increase in the category of extremely poor from 11.3 per cent to 24.7 per cent (households).

Dependence on trading in the informal sector: in Luanda 78 per cent of households have at least one member working in the informal sector. Of these, 90 per cent are self-employed and more than 75 per cent are self-employed traders. Of female household heads, 83 per cent are engaged in trade.

Health indicators: among the worst in the world, as the mortality rate for children under five years old is almost 30 per cent and life expectancy is roughly 47 years (UNDP *Human Development Report 2000*). Malaria is the primary cause of mortality and morbidity, followed closely by acute respiratory infection and diarrhoeal disease. There has been a rise in diseases like cholera, polio and sleeping sickness, which were previously under control. State expenditure on health provision is low and declined from 3.3 per cent of gross domestic product (GDP) in 1985 to only 1.5 per cent in 1999 (HDR, Angola 1999).

Maternal mortality: one of the highest in the world and increased in the 1990s. Fertility rates are high at an average of 6.9 children per woman. More than a third of Angolan women become pregnant before 18 years of age.

Illiteracy: 43 per cent of women and 17 per cent men have never attended school. Only 18 per cent women and 37 per cent men have studies beyond 4th grade. There has been a massive and systematic reduction in investment in the education sector from around 18 per cent of GDP in 1991 to around 5 per cent in 1997.

The capital, Luanda, has around 4 million inhabitants, over a quarter of the country's population. The majority of the urban poor live in the *musseques* – unplanned shanty towns which have grown as successive waves of refugees from different parts of the country fled from conflict. Well over half of the population in the *musseques*, and particularly the very poor, are women and girls. Most have no title deed to the land on which they live. Most are dependent on informal sector trade in increasingly saturated markets.

The settlements are almost completely lacking in basic services. Levels of mortality and morbidity are high, as is illiteracy. Most communities are lacking in any form of coherent local administration which might even begin to tackle these problems. It is unlikely that the cessation of conflict will see a significant migration back to the rural areas without considerable assistance to rebuild farms and communities. Addressing urban poverty in the *musseques* to create permanent infrastructure, livelihood security and strong local community governance must therefore be seen as a key priority (Cain 2002).

If poverty is to be eliminated, or even significantly reduced:

- The country's vast wealth from offshore dollar-based oil production and diamonds needs to be fed back to develop the rest of the economy.
- Levels of investment in health, environmental improvement and education must be increased to address the serious problems of high mortality rates, very poor sanitation, water and waste disposal and high levels of illiteracy.
- There is a need to strengthen civil society and support demands for greater democracy and government accountability.
- Specific measures are needed to ensure both gender equality and children's rights are an integral and priority part of all economic, social and political reform.

Microfinance programmes can be a sustainable and effective means of channelling resources from

government, international agencies and the private sector to the poor and poorest. Female-targeted microfinance programmes are an effective means of reaching large numbers of women and their children, including the increasing number of female-headed households.

The microfinance sector in Angola however has a long way to go before it can make such a valuable contribution to the development process. Earlier experience of credit initiatives in Angola experienced problems familiar throughout Africa: small numbers of loan beneficiaries, low repayment rates, little prospect of sustainability and uncertain impact. It is only since 1999 that initiatives to introduce microfinance have been effective. Most Angolans in the urban informal sector continue to rely on informal sources of finance which only partially address their needs (see panel on page 8).

There are now a number of microfinance programmes in Angola, including the SLP discussed here. These all have plans for expansion as part of a plan for nationwide coverage for vulnerable households and individuals. A number of other international and national NGOs and government departments also have credit or savings schemes, or are planning to set one up. Nevertheless, despite progress, the Angolan microfinance sector has yet to identify its role within a broader strategy for poverty elimination. It has also yet to identify the role which the various agencies can play within it. This paper is concerned with how the SLP can contribute to meeting this long-term challenge.

The SLP context and methodology

The SLP was initiated by Development Workshop in partnership with One World Action in July 1999, and the current phase continues until December 2002. It is part of a wider range of support given by Development Workshop to poor

Informal sources of credit

Kixikilas or ROSCAs: many informal sector vendors have organised themselves into rotating savings and credit associations (ROSCAs) known as *kixikilas*. Membership usually varies from between 15 to 40, but groups of 80 have been found. Female members call themselves *mamas* and their leader is referred to as *mãe* (mother). Each kixikila has a committee with a president, vice president, treasurer and councillors. A large majority of the kixikila members make daily deposits to their *mãe*. The most common daily amounts are about US\$1 but deposits can be in multiples of 10 kwanzas* (*cabecas*) which allow the member to receive the pot in proportion to the number of *cabecas*. Fewer members deposit on a weekly basis and a small number have monthly kixikilas. The *mãe*, for her work, will receive a small fee. Kixikilas are important for their social as well as economic functions as a means of meeting people and cementing relationships and support networks. Their social 'fun' function is highlighted by the fact that people talk about

'playing' kixikila meaning to participate. Some groups have been in existence for many years.

Business credit (kilapis): where retail traders obtain goods on credit from other traders or producers. These are then sold at a small margin and the price of the goods is paid following the sale. Sometimes an agent may act as intermediary, also taking their share of the final profits.

Bulk purchase on account: groups of vendors are often involved in bulk purchases from wholesale traders (*armazenistas*). When vendors manage to buy volumes larger than they can sell within a short time, they often give the excess goods to young men (there are very few young women who sell manufactured goods apart from prepared food) either on faith or sale, for on-selling at the roadside or in the markets.

Friends and relatives: provide a source of interest-free credit.

areas in Luanda and Huambo, Angola's second largest city. With post-war stabilisation Development Workshop is increasingly focusing its attention of supporting the development of local civil administration and the process of resettlement in both rural and urban areas.

The SLP evolved from an earlier informal sector support programme implemented by Development Workshop. Since 1992, Development Workshop has conducted research to try to understand how the informal sector operated in the highly inflationary and unstable environment of Angola. This included a baseline survey of micro-industries in a peri-urban area of Luanda. Between 1995 and 1998, Development Workshop implemented the Women's Enterprise Development (WED) project, in partnership with

One World Action and supported by the British Overseas Development Administration. The project aimed to improve the economic situation of women in the informal sector in Luanda. In 1995 this led to preparation of the first country gender analysis for Swedish Bilateral Aid (SIDA 1995). A small microfinance project with 48 women in fisheries was piloted between 1996 and 1998. Following an evaluation of this project it was decided that there was potential for a much larger project including both men and women in the informal sector as a whole but using a much more rigorous and sustainable loan methodology. This led to the development of the SLP.

The SLP is part of the Luanda Urban Poverty Programme (see panel on page 9). This broader institutional context of collaborating institutions,

each with their own complementary capacities and development programmes, provides very real opportunities for linking the contribution of microfinance to the broader context of poverty elimination.

The SLP has adapted a poverty-targeted, group-based lending methodology, bringing together elements of a number of different models: Grameen Bank in Bangladesh, Opportunity International (Trust Banks), Women World Banking (solidarity groups) and FINCA (Village Banking). The main elements are summarised

The institutional context: the Luanda Urban Poverty Programme

The SLP is part of the Luanda Urban Poverty Programme (LUPP), a three-year programme launched in July 1999 and funded by the UK Department for International Development (DFID). It is implemented by international NGOs (Development Workshop Angola/One World Action, CARE International and Save the Children UK).

The aim is to develop replicable strategies for sustainable improvement in access to basic services and livelihood opportunities for the poor.

The LUPP comprises four projects:

- The SLP implemented by Development Workshop in partnership with One World Action
- Sustainable Community Services Project implemented by Development Workshop in partnership with One World Action
- Luanda Urban Rehabilitation and Micro-enterprise Project implemented by CARE International
- Luanda Urban Child Welfare Project implemented by Save the Children UK.

below (see the panel on page 10). The SLP methodology combines:

- **Poverty targeting** through development of new groups and structures rather than building on existing structures like *kixikilas* (see opposite). The SLP uses a Means Test tool to target the economically active poor. Further screening also takes place in the course of the orientation course. Loan size is matched to business needs.
- **Organisational learning** for continual improvement of services. A management information system called Loan Performer supports the project's loan monitoring at client and field team level. This includes not only tracking loans, but also monitoring what different client groups expect in terms of how loans and other services would improve their lives and the community. Impact assessments are conducted once a year and fed back into management decision-making. The standardised economic and social data from the Means Test serves as baseline information.
- **Group development and active participation** of clients and prospective clients in appraisal and approval of loans. Together with monitoring by field staff this is very important for tracking and maintaining a quality portfolio and hence high repayment rates. Equally important, it helps to ensure that the services being provided are in line with the needs of the target population. The SLP is exploring the possibility of introducing a further tier of organisation: the Association, which would further encourage active participation of reliable clients in administration.
- **Social and community action** where groups are seen not only as cost-effective loan delivery mechanisms. Clients are encouraged to make their payments a day before the meeting or at the end of the meeting so that savings and credit do not dominate these weekly meetings. Speakers have been invited to give talks on a range of topics like HIV/AIDS and human rights. Community and markets' cleaning days have been organised, buildings have been constructed for meetings and one group has transformed into an Association.

Sustainable Livelihoods Project: Group Lending Model

Targeting, selection and training

- The SLP targets **economically active women and men** in the urban informal sector.
- A **Means Test** is used to select eligible clients from those suggested by other members of the group following interviews in market places and *bairros* (districts).
- **Women are actively encouraged to participate** by the field staff as both members and in leadership.
- A **10 week orientation** is conducted to inform prospective clients of SLP loan policies and expectations, develop a group constitution and strengthen group trust, solidarity and leadership. It also serves to discourage less needy applicants for whom the initial loan size of up to US\$100-150 would not warrant 10 weeks waiting time before receiving their first loan.

Management structure

Groups are comprised of 20-30 members. Each group develops its own constitution and selects its members, subject to their passing the Means Test. Groups conduct weekly meetings of about two hours to discuss community, business and other issues.

Sub-groups are made up of 5-7 members. The sub-group facilitates the operational functions of the bigger group, particularly in business appraisal, loan and savings monitoring including collections, and recruitment of new members. These activities are then reported to the bigger group during the weekly meetings by a sub-group leader.

Group leaders: each group has a democratically elected Credit Committee of 8 members comprising secretary, chair, treasurer, president and subgroup leaders. Leaders are trained to assume all management functions of the group.

They receive, deposit, and monitor members' loan repayments and provide weekly reports on financial activities to field assistants, who are members of the SLP staff.

Field assistants: oversee 8-10 groups each.

Credit and savings conditions

Appraisal procedure: the Credit Committee assesses and approves loans to the group members. Committee members get the same amount as everyone else, based on business needs. Fairness is ensured through appraisals by the field assistants.

Loan disbursement: the loan is made to the group and group members receive their loans simultaneously.

Loan size: group members receive small initial loans of US\$50-150 based on their economic activity. Further loans are extended to groups as a continuous, gradual increase. The maximum for a member of a Solidarity Group is US\$300 in the first year. Once a track record is established for a group, members graduate to the next tier, or Graduate Group, where the maximum loan is up to US\$700.

Loan repayment: group loan terms are four months with weekly instalments.

Loan guarantee: groups do not require collateral but subgroup members co-guarantee all loans and weekly payments.

Interest rate: group loans are charged at 10 per cent flat rate. Other fees amount to 2 per cent of the loan amount.

Savings: groups contribute savings of 10 per cent of what they want to borrow during orientation period. Groups collect and manage savings from their members on a weekly basis through the weekly meetings. These can be withdrawn by the client if they wish at the end of their repayment.

- **Client capacity building** is essential to ensuring that client participation is effective and also empowering. An orientation programme informs prospective clients about how the SLP microfinance programme functions, client responsibilities and obligations, and the policies and procedures to be followed. At this time groups develop their own constitution and have the first of many opportunities to comment on and contribute to further development of SLP services. Leadership and other training is given to elected leaders. Ongoing information exchange and links to other sources of training are provided at the group meetings.

- **Client networking and linking with other organisations.** The first Annual General Meeting of SLP clients was held in early 2001, enabling 258 clients to get to know each other and discuss their experiences with SLP. Also attending were representatives from organisations such as CARE, CCF, CARITAS, ACORD, BCCI, the National Bank of Angola, the Ministry of Social Assistance and Reintegration, and the Ministry for Family Affairs and the Advancement of Women. The second Annual General Meeting in early 2002 was attended by 1,700 clients, the Vice Minister of Trade and Commerce, parliamentarians, and the organisations who attended in 2001.

Business development services

Micro-enterprises, whether in production or trade, are part of a large interlinked system which includes relationships between inputs suppliers, producers, wholesale and retail distributors, transportation, and market intermediaries. From the beginning of the SLP, it has been recognised that microfinance on its own can only address part of the constraints and problems faced by micro-enterprises in Angola. Business development services (BDS) are also recognised as a crucial area. For example, Development Workshop research with Fruit and Vegetable Trade

Associations identified a number of key areas for possible intervention in addition to microfinance, including: skills training for micro- and small scale farmers; promoting market linkages; assistance with institutional development and addressing policy and regulation issues.

However, it is now generally agreed that many aspects of BDS should be provided on a cost-recovery basis by specialist organisations with the proper expertise. This is particularly the case for services for expanding small businesses at the top end of the micro-enterprise spectrum. There is also a high demand for very short one-off business courses for the self-employed (UNDP 2002).

At the same time microfinance programmes like the SLP can complement these services through providing:

- cost-effective and innovative information exchange within and between solidarity groups. Ongoing facilitation of learning is needed to address the needs of very poor and illiterate women entrepreneurs who form the majority of those working in the Angolan informal sector
- a forum for local level identification of market feasibility and the types of enterprises which could benefit not only the individual entrepreneur, but also the community through providing crucial services
- a structure for building market linkages, including rebuilding linkages between rural and urban areas
- a structure through which people can build on and strengthen their existing networks and organisations into a strong and articulate voice which can contribute to local and macro-level policy change.

In this way the ongoing meetings and structures formed for microfinance can link BDS assistance to individual entrepreneurs into a broader vision of sustainable economic development.

Developing a viable microfinance sector in Angola: capacity building, lobbying and advocacy

It is only through concerted and collaborative effort between organisations that microfinance in Angola will be able to make a significant contribution to poverty elimination. From the beginning, the SLP has aimed not only to develop its own microfinance methodology, but to work with other international and local organisations to help build their capacity and to network for advocacy and lobbying.

Both these areas of activity are long-term projects where Development Workshop has helped initiate an important process.

A key role of the SLP has been to train other organisations in order to rapidly expand the availability of microfinance services. An initial consultative meeting with national microfinance organisations indicated an urgent need for training in management practices, human resources management and financial resources management. By September 2001 the SLP had trained 15 other microfinance institutions in the Solidarity Group Lending methodology. Components of the methodology, policies and processes have been adopted into the operations of some of the organisations trained by Development Workshop.

Expansion of the microfinance sector also requires an enabling legislative environment. Development Workshop has been a key player together with CARE International in the setting up of the Ad Hoc Informal Forum for Microfinance Practitioners (FADDAME). This has so far brought together nine organisations including two government ministries, the National Bank of Angola, and NGOs; FADDAME has been influential in gaining acceptance for microfinance. It is now a member of the Southern Africa Micro Finance Capacity Building Facility whose regional office is in Harare, Zimbabwe, which will help the network to access more information on other experiences and to bring these back to Angola to share with other Angolan institutions. In the longer term, FADDAME also aims to influence economic policy to promote a more enabling business environment for the informal sector as a whole.

Development Workshop's vision of empowerment and participatory sustainable development can make a key contribution to future innovation in microfinance methodologies with a clearer developmental perspective. Debates on microfinance both within Angola and in Africa in general have so far focused mainly on financial sustainability. One first step in broadening the vision and looking at innovative approaches to microfinance has been Development Workshop's participation in a recent One World Action international conference in London on microfinance and women's empowerment in Africa.⁶



3

Focus on achievements and challenges

Successes and key challenges

The SLP's main focus so far has been on developing a viable poverty-targeted microfinance methodology for the Angolan context. It has succeeded in providing microfinance services to the economically active poor in the peri-urban

areas of Luanda, more precisely in the boroughs of Sambizanga, Cacuaco, Cazenga and Viana.

By the end of September 2001, the SLP was the largest microfinance programme in Angola with a portfolio of 2,308 active clients with outstanding loans, and a quarterly total of 1,686 loans disbursed. Sixty-nine per cent of the participating clients are women and the SLP aimed for 75 per cent by July 2002.

The Means Test data indicate that most clients are very poor when they join the project:

- they have more than five dependents and no outside help with household expenses
- daily consumption expenditure is US\$1 to 5
- they buy and sell their goods on a daily basis and have no employees working in their businesses
- they are not able to meet their medical expenses and do not have more than one child attending school.

Repayment rates are high, a considerable achievement in the Angolan context of high inflation and difficult market conditions. The Solidarity Groups have maintained an average quantitative repayment rate of 96 per cent and qualitative rate of 93 per cent. The qualitative repayment rate refers to full weekly payments on time, in the 16th week. The quantitative repayment rate is based on the amount repaid up to the time the rate is calculated. The Graduate Groups have achieved a very impressive quantitative repayment rate of 103 per cent and a qualitative repayment rate of 97 per cent so far. The SLP projections indicated that the microfinance component would be 34 per cent sustainable in July 2002 and totally sustainable by 2006.

The challenge for the SLP now is to continue to increase outreach in ways that also increase contribution to its key goals of:

- household poverty reduction through enterprise development
- gender equality and women's empowerment
- improvement of community services
- strengthening of local democracy.

The SLP components which could be built on include:

- the microfinance products
- group structures and organisation
- existing training modules
- staff capacity and existing structures for programme learning

- collaboration with other interventions by Development Workshop

- collaboration with other development organisations.

Client experience and stark statistics point to continuing, and considerable, challenges which will need to be addressed. At the same time there are also some significant emerging opportunities in the changing Angolan economic and political context.

Informal sector in Angola: dimensions of diversity

Types of activity

- Trade: clothes, foodstuffs, fish, electrical goods, production materials
- Production: furniture makers and joiners, carpenters, welders, mechanics, tailors, bakers
- Services: small shops, small pharmacies, beauty salons, funeral parlours, small private schools
- Currency exchange

Markets

- A *banca* or *barraca* situated right in front of the vendor's house.
- Small neighbourhood markets found at strategic points along street, consisting of 10-30 vendors; small municipal markets, often demarcated by the municipal authorities with fixed spaces allocated to vendors. Where these are formalised, vendors will usually pay a monthly fee.
- Mega-markets, consisting of thousands of vendors. Many of these are official markets under the responsibility of the Municipal Administration of Luanda.
- Illegal markets: there is a continuing market in some illegal goods, like unlicensed selling of medicines.

Household poverty reduction through enterprise development

Household poverty reduction in urban areas in Angola inevitably involves development of enterprises in the informal sector. As shown (in the panel on page 6), the majority of poor people in Luanda are dependent on informal sector trade and production. This is particularly the case for women who form the majority of the informal sector traders. Increasing numbers of men have also entered the informal economy since the mid-1990s because of declining employment and wages in both the public and formal enterprise sectors.

The informal sector is extremely diverse (see panel on page 14). In Angola not all those involved in the informal sector are poor. This is both because informal sector activities provide possibilities for profitable investment by the better-off, and because of possibilities for upward mobility through both enterprise and commerce. Incomes from a broad range of self-employed informal sector activities can generate far more than the wages of the public formal enterprise sector.⁷ In areas of Luanda next to major trade routes and roads or where population is rapidly expanding, there is an increasing demand for a wide range of products. As at May 2002, modern electrical goods and batteries, drinks of various types and construction materials were particularly profitable. The highest incomes appear to be earned by non-producer owners with a diverse portfolio to spread risk – particularly those who are able to speculate on differences between official and unofficial exchange rates as part of their business transactions.

Some SLP clients have been extremely resourceful in developing and diversifying enterprises, as can be seen from the cases overpage (see panel on page 16). It is clear that the loans these clients received have helped them to set up and develop

new lines of business. The SLP loan amounts are the equivalent of about two weeks to one month's earnings and greater than those which clients obtain from other sources like ROSCAs. The incomes earned also compare favourably with official salaries in the public sector. The examples are by no means isolated instances and many cases of successful women and men exist.

In some cases loans and savings also decrease household vulnerability through enabling households to meet consumption expenditure such as school fees and healthcare costs. Such expenditure may be essential to enabling people to work, a key investment in future security, prevent further indebtedness to moneylenders, or free up income for productive investment at other times of the year.

The contribution of microfinance to household poverty reduction compared with other factors like informal sources of finance or market fluctuations is highly contested and difficult to assess.⁸ The degree to which capital constitutes the main constraint on expansion, and consequently the precise nature of microfinance needs, varies between different entrepreneurs, different activities and different markets. Importantly, microfinance programmes are not the only source of capital and credit for productive investment or consumption expenditure (see panel on page 8). It is crucial that microfinance complements rather than undermines these informal mechanisms.

Alongside the success stories are also cases where SLP clients work very long hours to earn very low incomes. Loans have made little difference to this situation. Some clients have made unwise investments, incurred a loss and had repayment difficulties. In some groups many clients had simultaneously suffered from sudden changes in currency exchange rates or seasonal fluctuations in demand, leading to problems of repayment in the group as a whole. In some geographical locations and activities demand is more or less stagnant. There is a serious danger that microfinance loans may further contribute to

Some successful SLP members

Mrs A is group treasurer. She is around 45 years of age. Her husband died in 1992 and she has six children. Three older boys are unemployed. She is sending the three younger ones to school. She has become quite a successful businesswoman.

Before getting credit she sold beans, rice and maize but was not able to make much profit because she didn't have enough capital. Since getting the loan she has begun to sell ice, which is quite profitable in the hot weather. At the moment she is able to sell 50 ice blocks per day and the most she sells is 100 blocks. In the rainy season there is no market because people can't move around. She makes about 300-500 kwanzas a day, after deducting market charges. She continues to make about 200 kwanzas a day from selling vegetables.

She 'plays' one kixikila with 20 other women who got to know each other in the market. This particular group has been running since 1992. They each give 100 kwanzas per day, so each gets a lump sum of 2,000 kwanzas about once a month. Before the SLP, Mrs A was a member of two kixikilas as well. The main advantage to her

of the SLP is that she gets the loan in US dollars which she needs for school fees. The loan also gives her some security. With the profits from the ice business she bought herself an iron, a fan and a table for the veranda.

Mr B is group secretary. He is aged 35 and married with five of his own children, of whom three are studying and he also supports the children of relatives. In 1993 he was a primary school teacher but as his earnings declined he decided to start in business.

Together with six friends he began to learn about motorbike accessories. They had contact with teachers and doctors from Vietnam who imported motorbike pieces. This is a growing market and he sells to people he knows and in Roque Santeiro, the biggest market. Profit is low at about 400-450 kwanzas per month. Supplying hi-fi equipment and CDs would be more profitable but he would need about US\$750 to start.

He and his six friends 'play' kixikila each day, contributing 100 kwanzas. From his first SLP loan of US\$150 he spent half on his business and kept the other half in the house for loan repayment. His wife also works, selling cassava and sweet potatoes. He doesn't concern himself with how much she earns as long as she provides his meals on the table. He uses his money for school fees, healthcare and business.

Estimated in May 2002

Subsistence costs

For a family of two adults and two children:

- food per week US\$35
- fuel per week US\$3.5
- house rent per month US\$12
- school fees per annum US\$40.5

oversaturation of some markets leading to greater poverty for those who are already extremely vulnerable. The challenge for SLP microfinance is to build on this diversity and contribute to the development of sustainable enterprises which

benefit the very poor and also contribute to national economic development. Over time this will involve:

- **Diversification of microfinance products**
Different activities have very different patterns of need for capital, the best times for investment, length of time within which reasonable levels of profit can be expected, type of currency needed

and so on. Some trades are very seasonal in either their supply or demand patterns. There is therefore a need for diversified microfinance products which can be used by clients to significantly increase their incomes in different types of economic activity.

- **Development of structures for information exchange to assist in enterprise diversification**

Many clients are stuck in trades or activities which are seasonal or have few expansion prospects. They lack the information and confidence to diversify their trade or production. There is however considerable diversity between clients within groups and particularly within localities. The current informal exchanges of experience at microfinance meetings could be facilitated into a more systematic examination of the opportunities and constraints of different activities in different localities.

- **Development of partnerships and market linkages between clients**

Collaboration between service providers and producers in the same activity is common. There are systems of mutual exchange of productive capital as well as borrowing raw materials and sometimes subcontracting, for example, in the case of big orders. Again, microfinance meetings could provide a forum for more systematic development of these.

- **Development of organisational structures to influence policy making**

Any advocacy for improvement of macro-level policy needs to be based on detailed understanding of the situation and needs of different stakeholders. In particular, the needs of the very poor and of women are often completely ignored in the policy-making process.

Microfinance groups provide a very useful forum for gathering information on needs and aspirations. The large number of people involved also gives weight to advocacy campaigns for pro-poor policy change. This has been very effectively developed by organisations like SEWA in India.⁹

There is also potential for development of a distinctive participatory model of BDS which would provide the skills and information needs identified through this client networking and initiative. Such a model would complement existing systems of training and information exchange. For example, the most important training is not formal training but informal apprenticeship arrangements whereby trainees work and learn with *mestres* (masters) in both formal and informal enterprises. These arrangements appear to be extensive. These enterprises will often 'employ' the *mestres* on a commission basis, with apprentices getting much smaller shares. However, in this system of training there is no formal accreditation for skill levels and apprentices who have graduated to *mestre* level will find it difficult to transfer to other potential employers. The SLP could facilitate and complement these informal arrangements by improving the training offered and setting up a system of peer accreditation.

Another role for BDS would be to provide services identified as necessary to increase incomes. For example, SLP clients have identified a need for assistance in currency exchange to enable them to overcome significant price differences in changing small amounts of money in areas where there are no banks. In Angola, obtaining a licence for enterprise registration is particularly time-consuming and expensive, requiring special signed documents from many different agencies. Clients also identified a need for assistance in dealing with the various agencies involved in applying for official registration of businesses to enable them to operate in more lucrative markets.¹⁰ In both these cases SLP services would enable clients to avoid the costs of corruption and bribery which often characterises such registrations.

Yet another role for BDS would be to provide clients with the organisational skills and support to act as an effective lobbying group, to obtain resources and facilities in markets and elsewhere. For example, the large markets have market administrations consisting of an administrator and

section chiefs allotted to each section. Each of these markets also has a small police station. The administration offices are meant to be focal points from which vendors should be able to obtain information. However apart from a few torn notices stuck onto cement walls, there is rarely any useful written information displayed in any prominent way. What money is raised locally, for example from fees for market stalls and fines, could potentially be reinvested to provide key services to informal sector operators.¹¹ This would however require a change in national policy, which currently requires resources to be passed up to the Ministry of Finance.

Gender equality and women's empowerment

Women have a right to equal benefits from all development policy. Gender equality and women's empowerment are an essential and integral part of any poverty elimination strategy. Women form the majority of the very poor. Research has also shown that women spend a greater proportion of their incomes than men on household well-being. In Angola gender inequality has been identified as a cause of poverty (UNDP 2000).

Women's rights in Angola

Women's legal rights

Equality between spouses: established by the 1988 Family Law, in all aspects of family life and education of the children. Marriage is seen as a voluntary agreement instead of an economic transaction by the respective families. The law also promotes the legalisation of cohabitation when a monogamous relationship has lasted for more than three years. Both husband and wife can ask for divorce but the husband cannot enforce it without his wife's consent if she is pregnant and until one year after the baby is born. Both parents have legal responsibilities for their children, but after divorce the maintenance is usually supposed to be paid by the father if the children stay with the mother, which is most often the case.

Property, land tenure and inheritance: the 1988 Family Law established equal rights and responsibilities of husband and wife in the management of the assets of a household. A wife as well as the husband is entitled to inherit half of the common assets on the death of a spouse. In case of divorce, common assets are to be divided equally between spouses.

Labour legislation and social security: based on the principle of equal salary for women and men, access to the same kind of vocational training, and career possibilities. Women have the right to three months maternity leave and to breast-feeding intervals plus one day's leave a month on full pay, whether they are married or not. The employer has no right to dismiss a woman within one year after giving birth. Social security legislation on allowances and old age pensions is equally non-discriminatory.

SADC Gender and Development Declaration 1997

- Achieving at least the target of 30 per cent women in political and decision-making structures by the year 2005.
- Promoting women's full access to, and control over, productive resources to reduce the level of poverty among women.
- Repealing and reforming all laws, amending institutions and changing social practices which still subject women to discrimination.
- Taking urgent measures to prevent and deal with the increasing levels of violence against women and children.

Women's organisations in Angola

The **Angolan Women's Organisation – Organização de Mulheres Angolanas (OMA)** was established in the 1960s by the Popular Movement for the Liberation of Angola (MPLA), to mobilise women's support for the independence struggle. After independence in 1975 it continued as the main channel for mobilising women's support for the MPLA, which became the ruling party. As such, OMA was also the main avenue for women's participation in the mainstream political process and at its height membership rose to 1.8 million. It has played a key role in the promotion of women's legal and economic rights and in the creation of the State Secretariat for Women's Affairs and later the Ministry for Family Affairs and the Advancement of Women. By 1989, following the introduction of multi-party politics and ending of party privileges, membership had declined to 300,000.

Recently, OMA has started a number of projects for women in Luanda:

- centre for legal counselling
- family counselling centre
- centre for battered women

These bring court cases to a lawyer and ask for the support of the Bar Association.

Centre for Women's Rights disseminates information on women's rights and trains members of the police force and other professions dealing with violence and crimes where women are the main victims.

The **Ministry for Family Affairs and the Advancement of Women** was set up in 1996. Its mandate is to define and promote government policies in all political, economic and social areas where women's interests are at stake. It is currently interested in promoting microfinance for women.

Rede Mulher is a network of NGOs involved in advocacy and lobbying on women and gender. It was formally constituted in 1998. Development Workshop was a founding member of Rede Mulher when it began in 1995 and for the first year hosted the organisation in its office. Rede Mulher is also currently supported by One World Action. One of the network's main roles is to monitor implementation of the Beijing Platform for Action.

The Angolan context offers considerable opportunities for progress towards gender equality. Angolan women have a stronger legal position than women in many other countries in Africa (see panel on page 18). The government is a signatory to the Southern Africa Development Community (SADC) 1997 Gender and Development Declaration, which sets targets for women's political and economic participation and fulfilment of basic needs. This is partly due to the lobbying by the Organisation of Angolan Women and also more recently the Ministry for Family Affairs and the Advancement of Women, which has a remit to define and protect women's interests in all areas of policy seen to affect

women. Following the announcement of peace, a meeting was held by Rede Mulher (see panel above) with government ministers, to decide how women's interests can now be best protected to conform with the SADC declaration. The headquarters for the Pan African Women's Organisation are also in Luanda.

Nevertheless, despite official statements of commitment to gender equality, Angolan women continue to face many forms of discrimination. There has been a dramatic rise in female-headed households due to deaths of men in the civil conflict and increasing marital instability. In urban areas there is a tendency for the households

headed by women to have a slightly better economic position than those headed by men. This points to serious problems, not so much for women on their own but for women within marital relations. The traumas of war have led to increased levels of violence.

There is a considerable gap between national legislation and practice by customary law. Access to justice is very difficult because of the lack of funds and because of bribery and corruption.

Although women are legally entitled to half the property and income of the household, women are rarely able to claim their rights. In practice there is little protection against exploitation, or recognition of their equal right to household

Some views of SLP clients on gender

Woman: *I want to earn my own income and work because you can't trust men. Even if my husband could support me I would prefer to work and go to the market.*

Man: *Women and men are equal. Women are even in government these days. The church teaches us not to be violent so men should never be violent to women or children.*

Woman: *Of course women are inferior to men. In the henhouse it is the cock which crows.*

Woman: *I prefer being in a mixed-sex group because in women's groups there are always arguments.*

Man: *The Church teaches us that women must always obey their husbands because they were made from Adam's rib.*

Man: *I don't concern myself with how much my wife earns or her problems as long as she provides my meals on the table. In our culture that is her responsibility and nothing will change it.*

income within either legal or consensual marriages or on divorce. Women are culturally responsible for the subsistence needs of their households but have less control over income and large expenditure decisions. The majority of women are especially vulnerable in family disputes, as they are often unaware of their rights. They frequently find themselves and their children evicted from their house, room or shack. These may be sold or rented out by the husband or father without the woman's consent, maybe just to get money to start a new family.¹² Female illiteracy is higher than that of men and is a considerable constraint on developing women's leadership.

Women and girls invariably work much longer hours than men and boys in unpaid household work. They are excluded from training in the more lucrative productive activities like carpentry, welding, mechanics, building and electronics.

The SLP is committed not only to reaching women but also developing their leadership potential within the programme. There are some successful women entrepreneurs within the programme. Nevertheless, attitudes towards women vary considerably between members (see left). This is not a question of a split between women and men, but of differences between women and between men in their levels of gender awareness. Some men as well as women are very supportive of gender equality. Many women however lack confidence and skills to express themselves or question traditional stereotypes.

Realising the full potential of the SLP to women's empowerment remains a considerable challenge. Experience elsewhere indicates a number of ways in which the SLP could adapt its existing programme through:

- ensuring women's equal access to microfinance services, including larger loans
- ensuring that microfinance products enable women to control loans and incomes through direct targeting, and raising gender awareness in discussions with clients and prospective clients

- facilitating group support for women who have problems in their households and communities and collective action to address common gender issues
- mainstreaming gender awareness in existing training programmes and any BDS
- linking clients and groups to other organisations providing gender training, information about women's legal rights and so on
- raising gender issues in the various advocacy fora in which the SLP is involved.

Improvement of community services

Poverty in Angola is not only reflected in levels of income. There is a lack of basic services including health, water, sanitation and education. Moreover it is women who bear the brunt of inadequate basic needs provision. Apart from their own personal needs, they bear the main responsibility for caring for sick family members, water collection and hygiene maintenance.

Privatisation and public cost-sharing of health services has led to serious deterioration in health care for the poor. In Luanda there is only one doctor for 5,000 people and what health care there is, is largely concentrated in the more affluent areas. Health staff receive very low and irregular salaries and very often request bribes or extra payments from patients, or they receive private patients. Costs are often prohibitive for the poor and treatment difficult to obtain. There is widespread illegal and unregistered sale of medicines with little accountability for their use. People generally resort to the informal health system – herbalists, traditional healers and midwives.

Environmental hazards like lack of clean drinking water, lack of sanitation and waste and other pollution are key causes of ill-health. In Luanda, insufficient and contaminated water, lack of drainage and inadequate sanitation have resulted

in high and steadily rising rates of water-borne and excreta-related diseases. Most informal sector activities are undertaken in dire conditions, usually characterised by an almost total lack of infrastructure and sanitation.

Levels of education and skills are crucial to the ability to diversify activities and enter the more lucrative enterprise sectors. Women's lack of education has been identified as a key cause of poverty for themselves and their families (UNDP 2000). The education system in Angola is in serious crisis. In 1977 the government of newly independent Angola adopted a policy based on the principles of children's right to free education and equal opportunities for all. However, since the beginning of the 1980s the quality of education has declined because of the war and the decrease in the education budget. Although state-run schools are supposed to be free, teachers request salary subsidies and textbooks have to be bought in the market. There is a low enrolment ratio and high dropout rate in poor households because of lack of money and also the children's need to work both at home and to supplement family income. Relatively few children (30 per cent) enrolling in primary school are able to reach the second level (*ensino de base*). Levels of education and dropout rates are particularly acute for women because of problems of sexual harassment as well as the above factors.

Expenditure on basic services is a continual drain on the income of SLP clients. Lack of access to affordable basic services is not only a problem for SLP clients, but for the programme itself. Ill-health is a major cause of dropout from the programme, even for group leaders (see panel on page 22), whose skills and experience the programme can ill afford to lose. The low level of female literacy is a key cause of women's lesser representation in the leadership of SLP groups. These are also causes of business failure and hence repayment problems.

The contribution of microfinance programmes to service provision is not generally discussed. The SLP clients have identified a range of ways in

which the SLP could help to address these problems:

- Provision of individual or group loans could help them set up businesses like pharmacies or midwife services.
- Actions which they themselves could take as a group to address some of the problems. For example, one group identified women's illiteracy as a problem for their full and equal participation

The problems of healthcare: an example

Mrs C is married with three children. Her husband has been in the rural areas for a year because his mother is ill and he has to look after her. When he was living with Mrs C he helped with expenses for food, health and schooling.

She has been a member of the SLP for a year. She is a trader selling rice, cassava flour, sugar, maize flour, oil and vegetables. On a good day she earns 200 kwanzas. However there is a lot of competition. She has a number of friends with whom she exchanges information on market conditions and also often shares transport. Since getting her loan she has been able to buy more and sell more.

She was a leader of the group. However she has now had to leave the programme because of illness. She had to spend 1,500 kwanzas for hospital care and 500 kwanzas for medicine. She is lucky, because she is able to get treatment at a local private hospital on credit, but will have to pay for it when she begins earning again. Other family members will help her to pay.

The problems have led to difficulties with the group. Mrs C does not think she will rejoin the programme, even when she is fully recovered from illness.

in the group. Following some discussion a number of men suggested that they could help the women learn to read or support them to attend Church literacy groups. This support would include discussing the problem with their husbands.

- Information and links with other Development Workshop projects, for example, within water and sanitation, so that they could also benefit from these.
- Information and links with other organisations which might provide services they required.

The types of support demanded were not therefore ones which would require significant increases in funding. Rather they would require facilitation of discussions, and collection and dissemination of information through group meetings. This group-level process would also provide the basis for more organised lobbying and advocacy for changes in national expenditure and budgets, and also to support funding for NGO provision from international donors.

Strengthening civil society

The underlying causes of poverty and imbalance in the economy and national budget cannot be resolved solely through self-help strategies, even where these effectively target very poor people. It requires bridging the gap between structures and initiatives for self-help with local and macro-level policy-making to increase accountability and transparency and ensure redistribution of resources, particularly to the poor.

The civil war has led to serious disruption or breakdown in social structures and community organisations are weak or hardly existent. The SLP programme has a potentially very important role in enabling people to cement new relationships and develop new community structures.

The current political changes in Angola also point to an important role for the SLP in helping to strengthen organisations which are currently weak because of lack of funding or focus. Many

Organisations with which the SLP can work

Informal networks through kixiqilas.

Although traditional structures have largely been destroyed, many SLP clients are involved in quite extensive networks through one or more ROSCAs. These perform both economic and social functions. Although they do not necessarily provide a source of material support, they do provide ways in which people can gain access to a range of different networks to exchange information, get to know each other, and cement friendships and relationships.

Churches have become increasingly important as sources of networking and community cohesion. Some churches are also local organisers of informal voluntary co-operation and mutual aid.

Residents committees originally set up in 1983, were revived in the late 1990s. Although in many cases they remain inactive, they are increasingly becoming involved in activities like getting help with registration, security and licences of various kinds.

Business and marketing associations

representing micro and small enterprises, female entrepreneurs, industry, fishermen and informal sector vendors. These have considerable potential to address issues like the dire working conditions in and around most markets, legislation, infrastructure, security of workplace. However, most associations are not very active because of lack of funding and focus.

Women's organisations (see panel on page 19) have so far all had problems reaching out to poor women because of the lack of funds and networks. Membership of OMA has declined, but it has been able to lobby on women's rights within and outside the MPLA. To date, the Ministry for Family Affairs and the Advancement of Women has lacked the resources to set up local level offices. Microfinance groups provide a potential organisational base to partly bridge the gap between poor women and these organisations, to both disseminate information on women's rights and also provide support for advocacy by these organisations.

organisations had declining support because people saw little possibility of their successfully bringing about change. Microfinance programmes like the SLP can make an important contribution to this process through:

- **Giving people leadership and organisational skills** in microfinance which can then be transferred to other types of social and political organisation.
- **Providing an organisational forum** with regular meetings which can help networking between the various local groups, or provide a basis for detailed articulation of the needs of communities or particular groups within them.

- **Engagement in lobbying** with government, linking these group processes with policy-making. In particular, the SLP can raise both poverty and gender issues, in its advocacy on enabling environments for enterprise in the Ad Hoc Informal Forum for Microfinance Practitioners (FADDAME).



4

Lessons for the future

The SLP has achieved the main objectives of its initial phase. It has succeeded significantly in increasing the outreach of microfinance while still maintaining high repayment rates and is making progress towards financial sustainability. It has also made important contributions to the wider development of microfinance in Angola through capacity building and advocacy. The programme is now approaching the end of this first phase and looking at ways forward in the new economic and political context in Angola.

There is a possibility for the next phase of the SLP to build a sustainable model for developmental

microfinance. This goes further than a concern solely with provision of financially sustainable microfinance services, to now focus on building sustainable livelihoods. This does not mean adding on many layers of different types of intervention. Nor does it mean compromising the focus on cost-effective and sustainable microfinance. Rather it requires:

- building on the aspirations and initiatives of clients to identify the range of development contributions which microfinance could make
- designing microfinance products to better achieve these goals

Ways forward for the SLP

Savings and credit products

- diversified products adapted to the requirements of different industries
- products which enable women to significantly increase and control incomes
- loans for providers of community services

Core training

- inclusion of elementary business analysis
- inclusion of focused discussion of gender issues
- dissemination of information about networks and sources of support
- focus on leadership and organisational skills which can be transferred to other fora

Groups

- for enterprise information exchange and mutual learning
- to develop marketing networks and linkages
- for collective action by both women and men on gender issues
- to lobby at local level for improvement of community services
- to organise for voluntary community activities
- to enable information exchange for local level planning

Collaboration with other departments in Development Workshop

- the Angonet internet project to develop a database of information on other organisations
- the water and sanitation, schools and community initiatives programmes

Collaboration with other organisations

- market associations
- women's organisations
- local government
- local democratic organisations

Staff

- to be facilitators of group discussions and networking
- to be gender aware and promote women's empowerment and gender equality throughout interactions with clients

Impact assessment and organisational learning

- further refinement of poverty indicators and integration into participatory planning
- inclusion of gender indicators throughout impact assessment and learning
- inclusion of local needs assessment in the impact assessment process
- inclusion of assessment of local opportunities and challenges for democratic participation

- integrating gender awareness and leadership skills throughout existing training
- facilitating groups to be a sustainable forum for information exchange, collective action and linking with other organisations
- raising broader development issues in microfinance and business advocacy to ensure that the interests of very poor people, including

women, are adequately represented in policy change.

These changes require further integration of a strategic vision for poverty reduction, and greater efficiency and effectiveness in integrating with other existing areas of intervention. It also requires further development of staff capacity and the methodologies and structures for

organisational learning. Nevertheless, there will be a need for some flexibility in short-term financial sustainability goals to allow for capacity building at all levels. There is also a need for fulfilment of development goals to be explicitly valued by funding agencies and for assistance in providing the necessary inputs and expertise.

Microfinance programmes like the SLP must be given the support they need to move beyond the current sole preoccupation with financial sustainability to develop viable and cost-effective models of developmental microfinance. Unless microfinance has a strategic vision for poverty reduction, it risks being merely a means of shifting the costs of development onto poor people, particularly women.

In the absence of any prospect of adequate welfare safety nets, there are also potentially very serious implications for the 'unbankable poor'. They are likely to become even more marginalised in increasingly saturated markets and impoverished by rising prices for basic services. It is crucial that new, more inclusive and more empowering microfinance models be developed. The main focus must be the sustainability of client livelihoods. This in turn is dependent on gender equality, access to affordable basic services and political participation in the decisions affecting poor peoples' lives.

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Notes

- 1 Pallen 1997; Mayoux 2001a.
- 2 Many of these concerns are discussed in more detail in Mayoux 2002 and references therein and other papers from a recent One World Action conference, available on the website: www.oneworldaction.org.
- 3 In 2001 an estimated 85 per cent of budgetary revenues came from the oil industry of which 30 per cent was channelled towards military expenditure (DFID 2001).
- 4 Robson P., Ed 2001.
- 5 Pehrsson et al 2000; Ducados 2000.
- 6 The One World Action conference 'Women's Empowerment or Feminisation of Debt? Towards a New Agenda in African Microfinance' brought together over 80 participants; from African microfinance programmes, donors, researchers and consultants. Papers from the conference are available on the website: www.oneworldaction.org.
- 7 Incomes derived from the micro-enterprise sector are closely linked to dollar-equivalent prices and are therefore inflation-hedged and, generally, higher than public sector wages. Entrepreneurs in informal commerce and production activities had respectively 85 per cent and 74 per cent above the median income. This compared with 28 per cent of non-professional workers in the formal sector (UNDP 2002).
- 8 For a discussion of these issues see Mayoux 2001a and references therein.
- 9 Information on SEWA can be obtained from the website: www.sewa.org.
- 10 The registration procedures in Angola are very complex. Different documents are required by different authorities in different areas. The main document is a licence or *alvara*, which is required for any activity with walls and a door but not for service or sales from a residence. Documents required to obtain an *alvara* include: a declaration from the Communal Administration presenting the applicant's *bona fides*; a declaration from the Registration Conservatory of the Ministry of Justice; a declaration from the provincial directorate of the relevant sector; proof of paying profits tax (*imposto industrial*); taxpayers card; licence from the Municipal Administration; statistical registration.
- 11 In Luanda, the amount of fees and fines collected daily, assuming a very conservative estimate of 100,000 collections per day would result in approximately \$20,000 per day or \$500,000 per month. It is however unlikely that even a fraction of this amount ever arrives at the Municipal Treasury (UNDP 2002).
- 12 Cases of homelessness constituted the most frequent cause of conflict in households reported to the Angolan Women's Organisation (Pehrsson 2000).

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FRONT COVER: Dependence on trading in the informal sector in Luanda, Angola, where 83 per cent of female household heads are engaged in trade.

BACK COVER: Urban poverty affects children's health and wellbeing (photos by LINDA MAYOUX).

Unless microfinance has a strategic vision for poverty reduction, it risks being a means of shifting the costs of development onto the poorest people, particularly women. This is a long-term challenge in Angola – it is crucial that new, more inclusive and empowering microfinance models be developed.



LINDA MAYOUX

One World Action is working for a world free from poverty and oppression in which strong democracies safeguard the rights of all people.

To this end, we provide practical help to organisations committed to strengthening the democratic process and improving people's lives in poor and developing countries. Equally, we bring our partners and their concerns to the attention of policy makers in Europe. Crucially, we see these goals as indivisible; only by giving people a say in the decisions that affect them can we hope to bring about lasting and positive change.

We believe that through such partnerships for change at a local and global level we work for a just and equal world.

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