

**FROM MARGINALISATION TO
EMPOWERMENT**

TOWARDS A NEW APPROACH

IN

SMALL ENTERPRISE DEVELOPMENT

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PREFACE

I am extremely grateful to Hilmar Stetter of Intercooperation for inviting me to prepare this paper, for his useful comments on an earlier draft and his continual support and encouragement. I am also grateful to SDC for considering the issue of SED and empowerment seriously enough to support the workshop to which the paper contributed. The workshop was a very interesting experience with extremely interesting papers from SEWA and various organizations supported by SDC.

This paper is in many ways purposely provocative although many of the issues have been discussed at length elsewhere as referenced in the text. The views should not in any way be taken as indicative of those either of SDC or Intercooperation.

I would very much welcome further discussion on any of the issues raised. Please send E-mails to: L.Mayoux@dial.pipex.com.

INTRODUCTION: WHY AN EMPOWERMENT APPROACH IN SMALL ENTERPRISE DEVELOPMENT (SED)¹?

In the late 1990s, and particularly in the current century, there has been increasing international agreement on the importance of 'pro-poor growth'. There has also been increasing agreement that any coherent strategy for pro-poor growth and wealth creation must include small enterprise development (SED). The small enterprise sector is the only source of income and employment for increasingly large numbers of poor women and men. It offers the only means of coping with rising costs of subsistence and services and rising unemployment in the wake of Structural Adjustment, economic liberalization and globalisation. In rural areas it offers the only means of coping with decreasing agricultural productivity caused by environmental degradation, increasing population pressure in rural areas and increasing class and gender inequalities in access to and control over land. In urban areas it offers the only means of coping with ever-increasing rural to urban migration. AIDS/HIV and other health problems have led to large numbers of households where one adult of productive age is responsible for large numbers of young and elderly dependents and other chronically sick adults. All these problems are much worse in the many countries affected by conflict where large numbers of displaced, and often disabled, people are dependent on small-scale trading and production to eke out a living.

In some countries women entrepreneurs now outnumber men in the small-scale sector and the numbers of women's enterprises are increasing at a faster rate than those of men. For some women entrepreneurship has been a conscious choice to increase their economic autonomy and social status. For many women small-scale entrepreneurship is becoming a necessity. Poverty and migration have led to increasingly unstable marital relationships and numbers of female headed households. In many countries there have been profound cultural changes whereby women are now expected not only to provide unpaid household work, but also earn an income². The decrease of male formal and public sector employment means that many middle-class women can no longer depend on male wages in the formal sector.

Small enterprise development cannot be seen as a substitute for pro-poor policies and ethical policies in promotion of medium and large-scale formal sectors and agriculture. Nor can it be seen as a substitute for effective public provision and resource redistribution. Nevertheless, small enterprises will continue to have a key role in income and employment creation as an integral part of the growth process in low income countries as well as rich countries. Small enterprises are also an essential complement to social welfare programmes and public service provision. Welfare budgets and other public service expenditure has been cut with little prospect of it ever being increased to meet the levels of need. In the absence of any foreseeable alternative, it is also essential to enabling very poor women and men to earn the income to fulfil these needs and also gain the experience, skills, respect and bargaining power to negotiate in a changing world. Furthermore small enterprises in trade, manufacturing and services have a potentially important role in increasing choice and local supply of basic needs like food, clothing, domestic equipment, certain types of healthcare goods and services, childcare and other basic needs.

¹ In this paper Small Enterprise Development (SED) is used as a generic term to refer to small, micro- and subsistence enterprises.

² For a detailed discussion of economic and social changes in gender relations in East Africa see for example Silberschmidt 2001.

At the same time small enterprise development is not necessarily pro-poor. Small enterprises are very *diverse* and small entrepreneurs include not only extremely poor people but also skilled consultants like the author, with very different opportunities and constraints. This is not the place for a detailed critique of free market economics and trickle-down theories of wealth creation³. Suffice it to say that small enterprise markets, like any markets, are never 'free' or 'neutral'. Power relations are integral to the ways in which economic negotiations are conducted at all levels. Class, gender and ethnic inequalities in power and resources are key determinants of which people are able to take advantage of economic supply and demand factors, and of the relative balance between market supply and demand itself. They therefore determine where values are allocated at different levels of production and market chains.

Ultimately most markets within which small-scale entrepreneurs operate are structured by international inequalities in bargaining power and resources in International 'Free' Trade Agreements which continue protection for large-scale Northern interests. The local 'rules of the game' are structured by inequalities in bargaining power in national level economic policies: regulation and licensing, taxation, eligibility for preferential subsidy and finance, export regulation and so on. Corruption in implementation of these policies often further skews the rules in favour of the better-off. Large and medium-scale enterprises in particular industries continue to be subsidised and developed. Small-scale and particularly very poor informal sector traders and producers are harassed and evicted from their premises on the pretext of 'urban development'.

At the micro-level power relations are key determinants in face-to-face negotiations in any market place: for production inputs and products, labour, credit. These determine the amounts of resources and information which people bring to negotiations. They determine the perceptions of rights and responsibilities in the bargaining process, including levels of confidence and assertiveness. They determine the degree to which agreements can be enforced and realized after negotiations have taken place.

Empowerment must therefore be an integral part of any strategy for pro poor growth. Small enterprise development which does not include strategies to address power inequalities is unlikely to be successful in benefiting significant numbers of poor people. Most will continue to be consigned to insecure, low income subsistence enterprises. The very poor are likely to be even further disadvantaged through increasingly unequal competition in the markets on which they depend for survival. This is not only a disaster for people themselves. It also slows local and national economic development, not only of the small-scale agricultural and enterprise sectors, but the medium and large enterprises which depend on them for inputs, production and local distribution.

Small enterprise development which does not address empowerment concerns will also fail to comply with the cross-cutting commitments of development agencies. Poverty reduction in most development agencies is now officially defined in terms of addressing multidimensional and interlinked economic, social and political dimensions of poverty and is thus now almost synonymous with empowerment of the poor. Many development

³ A detailed discussion of market failure and the implications for pro-poor growth and pro-poor market development can be found for example in DFID 2000. Recent draft SDC policy documents also critique simplistic neo-classical market approaches to enterprise development (SDC 2002).

agencies, including SDC⁴, have an explicit commitment to empowerment in their social policy statements which are intended to cross-cut all their development interventions. Empowerment is seen as both an end in itself, and also a means to achieving its other development goals of growth, poverty reduction, decentralisation, democratisation and privatisation. This includes a related commitment to gender mainstreaming. All Northern donor agencies, including SDC, now have explicit gender policies and explicit commitments to women's rights and empowerment, as do most Southern governments as a result of advocacy by national women's movements following the Beijing conference in 1995.

However, although the term 'empowerment' is frequently found in official documents and programme promotional material, the implications of an empowerment approach to small enterprise development has rarely been thought through. This paper attempts to provide a basis for initiating a debate. Part 1 provides an overview of debates about small enterprise development and empowerment. Part 2 then proposes a strategic framework for an empowerment approach small enterprise development and the implications for different areas of SED intervention.

The paper is based on a number of key assumptions about the nature of small enterprises, and hence the goals of development interventions by development agencies:

- Small enterprises lie along a ***multidimensional continuum*** including small, micro- and subsistence enterprises. Entrepreneurs use diverse strategies to balance potentially competing aims of increasing incomes, mitigating risk and fulfilling nonmarket household and community obligations. The strategies involved depend on both context and individual resources.
- Small enterprise development should therefore embrace a ***multidimensional and diversified approach*** based on in-depth understanding of context and specific needs of different target groups.
- That the ***ultimate aim is pro poor growth*** which is in turn dependent on ***economic, social and political empowerment*** of entrepreneurs and workers in the small-scale sector, and an economic, social and political environment which supports pro poor growth of the sector itself.

The paper focuses particularly on the 'wealth creation needs' of very poor entrepreneurs, particularly very poor women, who are being excluded from or increasingly marginalised by current small enterprise development policy.

⁴ For example the SDC Policy for Social Development states: ' It is important to realise that any measures, however well meant, designed to achieve decentralisation, democratisation and privatisation will not bring the desired results without effective empowerment of those hitherto disadvantaged groups and classes. '

PART 1: EMPOWERMENT AND SMALL ENTERPRISE DEVELOPMENT: CHALLENGES AND CURRENT OPPORTUNITIES

SECTION 1.1: FROM MARGINALISATION TO EMPOWERMENT: CURRENT OPPORTUNITIES FOR A NEW APPROACH

Small enterprise development is underlined as a key strategy for both poverty reduction and empowerment in international agreements on Millennium Development Goals, a series of Declarations on Social Development and Beijing Declaration on Women's Rights. It is now generally agreed that small enterprise development can make an important contribution to pro-poor growth, understood as requiring mutually reinforcing processes of:

- ***economic growth and wealth creation:*** growth of the small-scale sector is essential to economic growth itself and ensuring that wealth is widely spread.
- ***poverty reduction and employment creation:*** entrants into the small-scale sector are often poorer than in the formal sector and small enterprises are generally more labour-intensive. Increased incomes enable very poor people, including women, to gradually move out of poverty, increasing the profits from their enterprises and purchasing necessary services, including health and education.
- ***economic, social and political empowerment*** for entrepreneurs themselves through increasing choices, autonomy and control over incomes, trade and working conditions. For women in particular the skills, networks and income from enterprise activity is seen as giving them greater power to negotiate economic, social and political changes in gender inequality at household, community and even national levels.

The economic and social context of economic liberalisation and globalisation also offer opportunities as well as challenges:

- with effective support and empowerment strategies, poor people may be able to take up the economic opportunities offered by economic liberalisation
- innovations in information technology, offers opportunities for rapid and effective information exchange not only for export sales, but also about techniques and markets for the local and national economies
- information technology also enables cheap and effective networking across national boundaries poor policy influence
- changes in women's aspirations and needs mean that they are likely to be not only increasingly able to undertake effective small enterprises, but also to benefit from their development

There is general agreement across the political spectrum on the importance of a number of elements in small enterprise development to build on these opportunities (See Box 1). However beneath the apparent consensus and conflation of terminology there are continuing fundamentally different understandings of key concepts and radically different policy priorities in relation to both small enterprise development itself and empowerment.

BOX 1: ELEMENTS OF THE NEW CONSENSUS, AND CONTINUING AREAS OR CONTENTION**ELEMENTS OF CONSENSUS**

SECTORAL APPROACH involving not only direct assistance to small enterprises but

- *working at policy level*
- *working with large and medium scale enterprises* in the same production and marketing chains.

PARTICIPATION

building on people's own strategies:

- *participation* in the design, implementation and evaluation of interventions.
- understanding existing *strategies in the private sector* and building on and complementing these rather than duplicating or undermining them
- building *networks, associations and 'social capital'* in economic activity

SUSTAINABILITY

- *cost effectiveness* in use of resources. This includes not only minimising costs in order to ensure that resources are effectively targeted where they are most needed, but developmental effectiveness in achieving goals.
- *sustainability* of institutions.

CROSS-CUTTING CONCERNS

honouring international agreements on:

- *gender mainstreaming*
- *environmental sustainability*

AREAS OF CONTENTION

- *which* small enterprises are to be developed? Should the focus be growth-oriented businesses or businesses of the very poor?
- *in what ways* should they be developed? Should the aim be enterprises along the Western individualist model? How far and in what ways should cultural differences and different contexts and priorities of different target groups be taken into account?
- *how* should they be supported? What are the relative roles of the private sector itself, governments and development agencies?
- *in whose interests?* How should potential conflicts of interest within enterprises, households, markets and so on be addressed?

1.2: PRO-POOR GROWTH AND POLICY BLACK HOLES: THE CHALLENGE OF CONVERGING PARADIGMS

The apparent move towards the ‘middle ground’ under the umbrella of ‘pro-poor growth’ and ‘pro-poor markets’ is the result of a very incomplete merging of two distinct ‘paradigms’⁵:

- *the neo-liberal market paradigm*
- *the interventionist poverty reduction paradigm*

These stem from very different underlying theoretical understandings of development, economics and political commitment (See Box 2). The paradigms have not necessarily corresponded systematically to any one organisation. Each has typically been promoted by different stakeholders and co-exist as ‘incompatible discourses’ in uneasy tension and with continually contested degrees of dominance. In many development agencies and programmes there has often been considerable disagreement and/or lack of understanding between staff involved in small enterprise, and particularly private sector, development (generally firm followers of market-led approach), those concerned with human development (generally with more sympathy for the poverty alleviation paradigm and emphasising participation and integrated development). Gender lobbies have battled to have their voices heard in each.

Until recently, small enterprise development like private sector development in general has been dominated by the *neo-liberal market paradigm* which underlies current ‘market approaches’ in financial services, BDS and sectoral policies. It dominated earlier policies in SDC and other donor agencies like ODA-UK, now DFID. Although modified, it continues to dominate policy in development agencies like USAID and World Bank. With its roots in neo-classical economics and neo-liberal theory the paradigm has economic growth through stimulation of the market economy as its prime development aim. It is based on presumptions of economic individualism and the primacy of economic laws of market supply and demand.

It assumes that poverty alleviation will occur as a consequence of economic growth through ‘trickle-down’ of benefits from increasing employment and overall wealth in the economy. The main target groups are therefore growth-oriented small enterprises on the assumption that these will generate not only wealth for their owners, but employment and income for even poorer employees. These enterprises would be developed along the lines of Western business with particular emphasis on developing export capacity to enable them to compete in the global market.

The term ‘empowerment’ is frequently used in policy documents, and also in mainstream business management literature. However definitions of empowerment are in essentially individualist terms, the ultimate aim being the expansion of individual choice or capacity for self-reliance. In relation to SED it is assumed that increasing peoples’ access to market-

⁵ A ‘paradigm’ is here understood to be a relatively logically coherent and closed set of aims and policies based on a distinct theoretical perspective. This is rather different from an ‘approach’ which is seen as a looser set of ideas, principles and strategies which can be applied in various ways to a range of programmes and models. Elsewhere in relation to gender the author has also pointed to a third ‘feminist empowerment’ paradigm. This has been omitted here because it is not so far dominant in development agencies, but underlies many of the proposals presented for an empowerment approach.

led financial and non-financial services would lead to individual economic empowerment, narrowly defined as increased incomes. It is then assumed that this increased economic empowerment would lead to increased well-being as people are able to purchase privatized services and basic needs. This economic freedom is in turn seen as leading to greater ability to participate in democratic processes and civil society. Issues of inequality and power are not discussed, the main onus being on increasing individual confidence and capacity.

More recently there has been some attention to development of Small Business Associations, and this is the key feature in countries like the United States. However the aim is to increase the voice of small enterprises within the overall context of free market growth and globalisation, rather than to question the nature of growth itself.

BOX 2: SMALL ENTERPRISE DEVELOPMENT AND EMPOWERMENT: PARADIGMS COMPARED

NEO-LIBERAL MARKET PARADIGM

Dominant development aim: economic growth through stimulation of market economy

Underlying emphases in poverty reduction: promotion of economic individualism, self-help and 'trickle-down'

Definition of empowerment: economic empowerment, expansion of individual choice and capacities for self-reliance

Main rationale for interest in SED: as important growth sector and 'incremental' approach to poverty alleviation and unemployment to reduce welfare budgets

Prime target: dynamic small and medium businesses (SMEs) with growth potential, including women most likely to be successful entrepreneurs, particularly in high-growth sectors of the economy

Sectoral approach: stimulation of free market economy and market linkages

Participation: participant contribution and market research to increase efficiency and financial sustainability

Sustainability: programme financial self-sufficiency

POVERTY ALLEVIATION PARADIGM

Dominant development aim: poverty reduction or elimination, through basic needs provision and pro-poor support and regulation of the market economy

Underlying emphases in poverty reduction: human development, socially responsible growth

Definition of Empowerment: increased wellbeing, participation and community development

Main rationale for interest in SED: as means of poverty alleviation and employment creation

Prime target: small businesses and micro-enterprises run by poor people and establishing Codes of Conduct in medium and large-scale enterprises and markets

Sectoral approach: establishment of appropriate regulatory frameworks for ethical enterprise

Participation: development of civil society

Sustainability: establishment of local level participatory institutions for long-term community self-reliance and self-determination for the poor

Within the market paradigm gender lobbies have been able to argue for targeting women on the grounds of the need to stimulate women's economic activity as a hitherto underutilized resource for economic growth. They have had some success in ensuring that considerations of female targeting are integrated into conditions of micro-finance delivery and programme evaluation. However, specific budgetary allocation for women's empowerment is widely opposed and support for many small enterprise organisations within empowerment gender has declined or under threat.

The *interventionist poverty reduction paradigm* has its roots in post-war Keynesian economics, through the Basic Needs approach of the 1980s and then the Human Development discourse of the 1990s. It also draws on more radical traditions of economics and social sciences. Its proponents have included international organisations like ILO, UNICEF⁶ and IFAD. In this paradigm the prime rationale for interest in the small-scale sector has been its potential for employment creation and poverty alleviation. Earlier promotion of the small-scale sector drew very much on socialist, populist and co-operative traditions, including a critique of power relations in capitalist market economies. The concern is with the poor self-employed, poorer micro-enterprise as well as small business as part of a broader agenda for employment, incomes and welfare.

Here empowerment, like poverty itself, is seen as a multi-dimensional phenomenon. Empowerment is defined both in terms of individual choice and capacities and collective action to address structural inequalities in power and resources which are key causes of poverty. Targeting women is justified because of higher levels of female poverty and women's prime responsibility for household well-being. However although gender inequality is recognised as an issue, the focus is often on assistance to households and there is a tendency to see gender issues as cultural and hence not subject to outside intervention. The term 'women's empowerment' is often considered best avoided as being too controversial and political.

EMPOWERMENT IN SDC

Empowerment is seen as having two main connotations:

- a) *giving power/permission/authorisation/entitlement:*** the establishment of legal or organisational prerequisites which provide individuals have more control over conditions and actions affecting them, and thus refers to a legal right and an organisational framework
- b) *imparting an ability or qualification:*** which put those targeted by the empowerment in a position to sufficiently and significantly exercise what they are entitled to (legal rights), aiming at knowledge transfer and learning processes.

Source: adapted from SDC Policy for Social Development 1999

⁶ see UNICEF's 1987 report 'Adjustment with a Human Face' which was one of the earliest challenges to the Structural Adjustment programme.

The move towards the middle ground in the 1990s was the result of various factors. Aid agencies in Europe struggled to reconcile differences between successions of governments espousing neoliberal and more social democratic policies. In agencies like IMF, World Bank, OECD and USAID increasing evidence of adverse effects of market policies led to modification of earlier policy statements. Official statements came to use the language of participation and empowerment, and emphasise commitment to poverty targeting (see for example the World Bank 2000 Development Report). On the other hand proponents of market intervention and poverty reduction have faced increasing budgetary constraints and criticisms of limited outreach. Claims of greater social and economic impact than minimalist and private sector interventions have also been questioned. This has led to increasing pressure to demonstrate 'cost-effectiveness' and quantitative as well as qualitative impact on poverty.

The move towards the 'middle ground' has undoubtedly stimulated debate and led to very important innovations and insights which can be built on in an empowering approach. Potential ways forward for the consensus outlined in Box 1 are discussed in more detail in Part 2 of this paper. Nevertheless many current trends in practice as seen in funding decisions and actions of the ground are extremely worrying.

In the 1990s the main focus of funding has been the attempt to set up financially sustainable microfinance programmes and more recently financially sustainable market-driven BDS. However as discussed in more detail below:

- expectations of financial sustainability have proved very difficult to fulfil in practice in many contexts. After all the funding received to set up 'professional' organisations, only a few are fully financially sustainable.
- impact assessments have been highly contentious, but it is clear that the contribution of minimalist micro finance to improve incomes has often been marginal, particularly for poorer clients.
- significant numbers of poorer entrepreneurs, including the disabled and many minority populations, are not only left out of the micro finance and non-financial services currently on offer but also many of the networks and Associations being developed.
- exclusion may lead to positive disempowerment as the already disadvantaged may be even further disadvantaged through unfair competition with entrepreneurs who have access to these services and networks.

Currently, partly in response to some of these problems and perceptions of lack of impact, some donors are now decreasing funding for microfinance and project-level or programme interventions in favour of macrolevel policy influence and 'sector-wide approaches'. However, this exclusion from financial and non-financial services is matched also by exclusion from economic policy-making. Although governments and donor agencies may provide small enterprise services for better-off entrepreneurs, many very small entrepreneurs and traders continue to be harassed and displaced in the guise of 'urban improvement'. Licensing agreements and regulatory frameworks continue to be based on ownership and other conditions which may exclude women and the very poor. Advocacy and lobbying generally fail to address underlying power relations and inequalities in access

to and control over resources like the land, housing and other productive resources.

It is clear therefore, not only that market-led growth itself tends to further increase economic and social inequalities, but that some serious rethinking is needed if the perceived corrective of small enterprise interventions by development agencies are to significantly alter rather than reinforce this situation. The conflation of paradigms, coupled with budgetary constraints, means that although empowerment may be a stated aim in official SED policy and program promotion, in practice it risks becoming subsumed in and marginalised by concerns of cost-cutting and fulfilling quantitative poverty reduction targets.

SECTION 1.3: WHAT IS EMPOWERMENT? ESTABLISHING THE BROAD VISION

Empowerment is a highly contested concept, reflecting the complexity and interlinked nature of the processes of change and social transformation it seeks to encapsulate in one word⁷. As discussed in more detail in the following section, the term is used by development agencies of all political persuasions, and is also prominent in private sector management literature.

Many different frameworks have been developed to reflect a combination of:

- ***Different key elements and processes:*** eg choice, agency, resources, equity, equality, participation, confidence
- ***Different types of power relations involved:*** power within, power to, power with and power over
- ***Different interlinked spheres:*** e.g. economic empowerment, psychological empowerment, increased well-being and social, legal and political empowerment
- ***Different mutually reinforcing levels:*** e.g. individual, household, community, market, institutional, national, international and/or Micro, Meso and Macro-levels

Some of the best-known frameworks developed in relation to women's empowerment are presented in Appendix 1.

The framework proposed in Box 3 sets out the scope of an empowerment approach, building particularly on Rowlands framework, but incorporating also elements of the other frameworks. This framework clearly:

- links empowerment with a broader vision of equality and equity. This requires not only bottom-up support for individuals, households and communities but also macro level change.
- prioritises the needs and interests of the currently most disadvantaged.
- requires mainstreaming these concerns not only in support for the most disadvantaged, but throughout all development support.
- recognises the need to address inequalities and power and resources in different interlinked spheres and at mutually reinforcing levels

However empowerment is a process which is ongoing. The point is not that any one intervention must fulfil all these different dimensions at the same time. But the framework provides the parameters of a broad vision within which more precise goals of particular interventions can be located. It serves to identify the limitations of particular interventions and point to areas where collaboration between organisations might be needed to ensure

⁷ For further discussion see eg Batliwala 1993; Kabeer 1999, 2001; Oakley ed 2001 and Rowlands 1997.

coherence between SED policy and the ultimate goals of poverty reduction and empowerment.

BOX 3: BROAD CONCEPTUAL FRAMEWORK FOR EMPOWERMENT

DEFINITION: the multidimensional and interlinked process through which people work towards a society where all people are able to make and realise free and informed life choices. Free and informed life choices are only ultimately possible within an environment of equal opportunities, resources and power. It requires both bottom-up empowerment of those currently having least power, and also top-down changes in the attitudes, behaviour and position of the currently powerful.

KEY DIMENSIONS

power from within or perceptual change:

- bottom up: increased awareness of choices and options, increased confidence and widened aspirations
- top-down: changes in attitudes, stereotypes and commitment to change

power to or changes in capacities and material strength:

- bottom up: increase in skills, increased access and control over income and resources, access to markets and networks
- top-down: increase in skills and resources to challenge and change injustice and inequality for others

power over or relational change:

- bottom up: increased role in decision-making and bargaining power within the household, community, national and international levels
- top down: behaviour change to respect the equal rights of others, challenge inequality and give up unfair privileges

power with or organizational strength and participation:

- bottom up: organisation of the powerless to enhance individual abilities and/or ability to challenge and change power relations, increased participation of the powerless in non-family groups, in local institutions, in local government, in political process
- top-down: supportive organization of those with power to challenge inequality and injustice

SPHERES AND LEVELS OF ACTION

- ***interlinked dimensions:*** e.g. economic empowerment, psychological empowerment, increased well-being and social, legal and political empowerment
- ***mutually reinforcing levels:*** e.g. individual, household, community, market, institutional, national, international and/or Micro, Meso and Macro-levels

KEY CHALLENGES

- ***What*** are the main priorities? In view of the interlinkages between different dimensions and mutually reinforcing levels.
- ***Whose*** empowerment? In view of different priorities and potential conflicts of interest?
- ***Who should decide?*** In view of limited knowledge and resources of those to be 'empowered'

In practical terms any empowerment strategy will face a number of difficult challenges and dilemmas:

Trade-offs: Given the interlinked and mutually reinforcing spheres and levels on which inequality and power operate, and the fact that interventions are unlikely to simultaneously address all the spheres and levels simultaneously, there are frequently trade-offs between benefits in one sphere or at one level and costs in others. For example women may gain control over small amounts of their own earned income but women's workload may significantly increase and men may decrease contributions to the household income pool (Mayoux 1998).

Different priorities: Different people will have different priorities. Better-off women and men may be able to use very different enterprise strategies aimed at maximising profits, but very poor entrepreneurs, particularly women, may be more concerned to decrease vulnerability to crises. For some women individual control of their own income may be crucial to avoiding destitution, even where incomes are low. For other women in different types of household or from ethnic groups with different norms regarding divorce and property or with less opportunity to substantially increase incomes, it may be more important to strengthen the marital bond and joint negotiation over use of household resources, including their share of male income.

Conflicts of interest: The nature of relations of power and interdependence mean that there are likely to be not only differences but also conflicts of interest. The best way for some entrepreneurs to increase incomes may be to upgrade technology to replace employees. There are likely to be conflicts of interest over division of profits between investment in enterprise expansion, entrepreneur income and wage levels or investment in improvements in working conditions. Entrepreneurs may wish to increase profits by restricting access to markets. Men may wish to increase incomes and profits through exploitation of the unpaid labour of female household members and children. Mothers or mothers-in-law may wish to increase their incomes and use the unpaid labour of daughters or daughters-in-law.

Particularly contentious is the delicate balance and in some cases inherent tension between (generally diverse) 'grassroots' aims and aspirations and externally-devised criteria established *a priori* from underlying theories of development, poverty or feminist analysis. People's own aspirations and strategies are a central (and for some the only) element in any definition of empowerment as well as an important factor in explaining programme outcomes and must therefore be included in any analysis. At the same time, as amply demonstrated in the literature on participatory development, people's aspirations, knowledge and strategies for empowerment must be seen in the context of existing structures of inequality and subordination. Inequality and subordination of the very poor, women, minority groups and the disabled are often presented as 'natural' through gender and cultural stereotypes, rather than amenable to change.

These dilemmas mean that there must be a process of participatory negotiation to provide space for people to discuss and consider their aspirations and needs. These views and needs must be incorporated at all stages of the design, monitoring and evaluation of interventions.

PART 2: EMPOWERMENT IN PRACTICE: RETHINKING CURRENT SED INTERVENTIONS

2.1: SED FOR EMPOWERMENT: STRATEGIC FRAMEWORK FOR A NEW APPROACH

Despite the complexities and dilemmas, this broad conceptual framework for empowerment points to a number of key essential dimensions of strategic empowerment framework for SED (See Box 4). This builds on, but takes further the elements of consensus summarised in Box 1 above. It also builds on discussion by the author and others elsewhere of women's empowerment and gender policy in enterprise development⁸. There is the need for a new approach which has a clear development vision of empowerment, equity and poverty reduction mainstreamed throughout the economy and strategically works towards this broader vision in all small enterprise development from macro-level policy work to micro-level programmes.

There must be an explicit concern for the interests of the very poor and most disadvantaged. The extensive research on the informal sector and home working shows that any distinction between 'entrepreneurs' and 'non-entrepreneurs' is arbitrary and misplaced. In many industries, trading and service chains there is instead a continuum from individuals doing piecework with differing degrees of control over prices and market conditions through to small firms which similarly have differing degrees of control over prices and market conditions. All these people are involved in negotiating their terms of work. Given the increasing insecurity of wage employment in conditions of flexible specialisation, even in northern industrialised economies most workers are now encouraged to be 'entrepreneurial' in seeking employment, rather than expecting jobs for life.

There is no simple dichotomy between 'growth-oriented' businesses and 'survival businesses'. All entrepreneurs use diverse strategies to balance potentially competing aims of increasing incomes, mitigating risk and fulfilling nonmarket household and community obligations. The strategies involved depend on both context and individual resources. Very poor people are no different. Simply the resources at their disposal to increase incomes are lower. Risks are greater and decisions may mean the difference between life and death rather than just levels of profit. Very poor women have a disproportionate burden of nonmarket household obligations which men and better off women can fulfil through the market or unpaid work of other family members. Very poor women and men often show considerable resourcefulness in coping with the serious constraints which they face. The needs of those currently very vulnerable people who will continue to be dependent on self-employment in the informal sector must therefore be part of any small enterprise development strategy which claims to contribute to pro-poor growth.

There must be every attempt to ensure equality of access and nondiscrimination on the basis of gender, ethnicity, disability and so on. Discrimination can only be justified where interventions are part of positive action for those currently disadvantaged eg programme specifically for women or the disabled as a first step to mainstreaming.

Alongside direct support, interventions targeting growth-oriented businesses for the less poor, and particularly policies for medium and large-scale businesses, also need to take into

⁸ See Mayoux 2001a, 2003c forthcoming.

account the interests of others who might be affected. 'Trickle-down 'may well occur well-planned interventions for growth which increases employment and also supply of basic goods and services. It cannot however be assumed, but needs to be strategically planned and thought through. This includes concern not only for very poor entrepreneurs, but also employees and unpaid family workers in small-scale enterprises.

The practical implications for different areas of enterprise development are discussed in detail below. In general terms, all small enterprise interventions must:

- be based on principles of participation and representation of the very poor in designing interventions and policy-making
- contribute to networking and collective strength of those currently most disadvantaged
- challenge and change the attitudes, behaviour and privileges of the better off
- prioritise increased material benefit for clients over organisational profitability
- include some linkage with macro level policy making, either in the form of targeted lobbying or documentation for advocacy or support for collective action.

BOX 4: FRAMEWORK FOR AN EMPOWERMENT STRATEGY IN SED

DEFINITION OF AN EMPOWERMENT STRATEGY: Small enterprise development which challenges and changes the multidimensional and interlinked constraints which prevent those who are currently disadvantaged from making and realising free and informed choices in relation to livelihoods and social and political life.

CONCEPTUAL UNDERSTANDINGS

- **Target group:** prioritisation of the interests of those who are currently poorest and most disadvantaged, including employees and unpaid family workers
- **Sectoral strategies:** promotion of an ethical economy which promotes pro-poor growth in small, medium and large-scale enterprises
- **Participation:** participatory planning, promotion of collective strength and civil society
- **Sustainability:** sustainable organisations and development contributions
- **Gender mainstreaming:** mainstreaming policies for gender equity and women's empowerment

STRATEGIC FRAMEWORK***power from within or perceptual change:***

- bottom up: ensuring that enterprise interventions increase people's awareness of choices and options, increase confidence and widened aspirations
- top-down: ensure that all images, language and vision in enterprise interventions promote changes in attitudes, stereotypes and commitment to change

power to or changes in capacities and material strength:

- bottom up: ensure that enterprise interventions increase skills, access and control over income and resources, access to markets and networks for those who are currently most disadvantaged
- top-down: ensure that enterprise interventions give people the skills and resources to challenge and change injustice and inequality for others

power over or relational change:

- bottom up: increased role in decision-making and bargaining power within the household, community, national and international levels
- top down: behaviour change to respect the equal rights of others, challenge inequality and give up unfair privileges

power with or organizational strength and participation:

- bottom up: support for organisations of the currently poor and disadvantaged to challenge and change economic, social and political constraints at all levels
- top-down: support for organisations of those with power to challenge economic, social and political inequality and injustice

SECTION 2.2: RETHINKING ENABLING ENVIRONMENTS: FROM MARKET IMPERATIVES TO ETHICAL ECONOMICS

The economic policy environment is more important in determining the opportunities and constraints for small-scale entrepreneurs than any micro-finance or BDS programme. The starting point for an empowerment approach in small enterprise development has to be a clear vision of what an empowering economic environment might look like. It must be both *enabling* to promote growth and *equitable* to ensure that growth is pro-poor. Details of what is required to attain this vision will undoubtedly change over time with increased understanding of the economy itself and the effects of particular interventions, the aims and aspirations of small-scale entrepreneurs and also wider economic, social and political change over time. Nevertheless until this broader vision is clear, it is not possible to ensure that micro-level interventions are coherent in their contribution to empowerment.

Macro-level policy work to promote an enabling environment for small enterprise has become an increasingly important aspect of enterprise development in recent years. This includes current moves in some development agencies away from micro-level interventions towards sector-wide approaches, it also includes policy work on regulatory frameworks for enterprise and micro-finance and current discussions of how to mainstream enterprise within education systems. However, as in other areas of policy, there has been considerable disagreement about what an enabling environment means and how equity issues can best be addressed to protect the interests of the poor. Empowerment itself has not been addressed in current proposals.

In the market approach promotion of the small-business sector is seen as requiring principally the orthodox free market prescriptions of economic deregulation and provision of the necessary physical infrastructure. The role of the state is seen as merely providing a minimal regulatory framework rather than direct intervention in production. More recently in agencies like USAID there has been a recognition that small and micro-enterprises firms may face different economic constraints and opportunities from large firms because of policy distortions and market failures which create disincentives to growth. There has been an increasing emphasis on macro-level and sectoral strategies to remove 'barriers' to entrepreneurship in general: removal of government policies directly or indirectly favouring and subsidising the large-scale 'formal' sector; removal of the constraints on employment and profitability posed by labour legislation and protection; deregulation and privatisation of markets.

The USAID proposals do point to a number of key areas for change which would also reinforce empowerment. The emphasis on reasonable interest rates is important, but somewhat at variance with the complacency about interest rates in microfinance. The importance of a human capital development programme and infrastructure and establishment of clear rights to property and clear rules would also support an empowerment policy. Other proposals have also emphasised the importance of sectoral strategies which would produce mutually reinforcing support at different levels of the demand and supply chain in particular growth industries. Recent lobbying has focused on setting a target proportion of assistance reaching the very poor.

There have also been some positive achievements in relation to gender. In US itself the women's business associations have successfully lobbied for a Women's Business Ownership Act which guarantees women's equal access to business development

programmes, individual taxation, special access to government procurement etc. Equal Opportunities legislation, despite shortcomings in practice, is enforceable, backed by an active women's movement. In the South policies advocated by USAID's GEMINI programme also emphasise the importance of women's property ownership and equality legislation as an extension with USAID's general concern with policies that establish and enforce clear rights to property.

USAID DEFINITION OF ENABLING ENVIRONMENT FOR ENTERPRISE

- A ***stable fiscal and monetary policy*** setting resulting in an economy with reasonable interest rates and a reasonable level of inflation.
- A system of ***financial markets*** that provides incentives to save and efficient mechanisms to channel savings into investments that raise productive capacity over time.
- A ***competition policy*** that establishes rules against monopoly and against anticompetitive group behavior that can take place in cartels
- A ***human capital development program*** that calls for universal basic education and for reasonable access to college education or to advanced vocational training for those with the skills and drive to be successful in these areas.
- An ***infrastructure development program*** that provides the communications network, roads, water and sewer systems, and ports needed to facilitate business transactions.
- A set of policies that establish a ***favorable climate for the start-up*** of new businesses and for the growth of businesses: policies that minimize the costs of licensing and registering a business, policies that call for the government to provide easy access to information about laws and regulations, and policies such as commercial codes that establish rules to minimize the cost of doing business by defining the rights and responsibilities of all parties to a transaction.
- Policies that establish and enforce ***clear rights to property*** and ***clear rules*** related to the performance of contracts.

However the inherent desirability of 'growth' itself as conventionally defined is not questioned. There is no questioning of the underlying market economic analysis, the underlying power relations and interests which shape existing definitions of 'economic', economic policies and the institutions which implement them. There is little discussion of questions of wealth redistribution or welfare and there is explicit opposition to labour and minimum-wages legislation.

Although there is a concern with women's rights, solutions to inequality are seen to lie in a combination of women's individual economic empowerment through access to income at the micro-level and regulatory reform and stimulation of the market at the macro-level rather than direct assistance for women in overcoming discrimination. There is no analysis of the interlinkages between poverty and gender subordination and the implications for

policies relevant to the needs of poor women entrepreneurs. In practice, even if this is not the intention of gender lobbies, concerns with both poverty reduction and gender mainstreaming are placed firmly within budgetary constraints imposed by existing economic policies.

In the poverty alleviation approach, including recent SDC documents, it is argued that in many cases providing a 'level playing field' at the level of regulation is not enough. The main justification for interventions by development agencies, rather than leaving things to the free market, is because they can deliver things which the market cannot. There is a commitment to promoting 'quality jobs' rather than low-paid employment. ILO and EU guidelines are both committed to integrating labour protection, minimum wages and health and safety legislation as well as the welfare of entrepreneurs within a policy for small enterprise development although what this may mean in practice remains to be seen⁹. Social policy is now central to definitions of development and growth which leads to serious consideration of state-funded service and welfare provision to cover the costs of reproductive work.

In debates about pro poor markets there are currently extremely interesting debates and initiatives in relation to ethical enterprise development and ethical trading. Fair Trade interventions now go beyond niche marketing of luxury products to influencing the behaviour of large companies and consumers. In relation to small enterprise development this has a number of implications:

- ***development of Codes of Conduct*** for small enterprises themselves in relation to working conditions and employee involvement. It is often argued that small enterprises cannot bear these costs. However in many cases micro enterprises run by poor entrepreneurs offer better working conditions and conditions of pay because entrepreneurs are closer to their employees who are often friends or relatives¹⁰.
- ***Establishment of Good Practice guidelines*** in subcontracting between large and medium scale enterprises and small enterprises included as part of the Codes of Conduct for large and medium scale enterprises. This would cover such things as agreements on quality, timing and so on.
- ***Value chains analysis and sectoral strategies*** addressing inequalities of bargaining power at different points of the demand and supply chain. The focus is not only on growth industries, but services and areas of the economy which have greatest benefit for society as a whole and poor people in particular¹¹.

⁹ See particularly ILO 1999 'Job Quality and Small Enterprise Development: An Agenda for Action' which states that remuneration levels, job security, social protection, health and safety concerns, human resource development, good industrial relations and freedom from bondage and exploitation need to be an integral part of job creation 'safe and secure workplaces not only meet vital human needs, they also boost productivity and enable businesses to grow' pp1-2.

¹⁰ In the Indian silk industry studied by the author in the late 1980s it was generally larger enterprises still in the unregulated sector who paid the worst wages, not micro-enterprises run by very poor entrepreneurs.

¹¹ Important examples of value chains analysis and empowerment can be found in the case of action research with homeworkers in the global textile chains (Cormick and Schmitz 2001 and for overviews of different aspects of value chains analysis see the IDS website: www.ids.ac.uk/ids/global/valchn.html and for practical applications Mayoux 2003b forthcoming.

- ***Inclusion of the interests of small enterprise, and particularly micro- enterprises and survival enterprises*** in policy and regulatory frameworks.

BOX 5 ETHICAL ECONOMIC ENVIRONMENT

DFID

'The private sector must take responsibility for business codes of conduct, gender equality, environmental protection and human rights. This applies to all levels of business, from transnational corporations down to micro-enterprises, foreign and domestic firms. Enterprises need encouragement to invest and operate responsibly towards their community and its environment. ('Implications of target strategy papers for enterprise development Department ' 2000)

FINE* DEFINITION:

Fair Trade is an alternative approach to conventional international trade. It is a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness raising and by campaigning.

AIMS: The FINE principles:

1. To improve the ***livelihoods and well-being of producers*** by improving market access, strengthening producer organisations, paying a better price and providing continuity in the trading relationship.
2. To promote development opportunities for ***disadvantaged producers***, especially women and indigenous people and to protect children from exploitation in the production process.
3. To raise ***awareness*** among consumers of the negative effects on producers of international trade so that they exercise their purchasing power positively.
4. To set an example of ***partnership*** in trade through dialogue, transparency and respect.
5. To campaign for ***changes in the rules and practice*** of conventional international trade.
6. To protect ***human rights*** by providing social justice, sound environmental practices and economic security.

*'FINE' is the acronym for a loose network of umbrella bodies and is comprised of the first letters of the 4 network members: FLO (Fair Trade Labelling Organizations) International, IFAT (International Federation for Alternative Trade), NEWs (Network of European World Shops), and EFTA (European Fair Trade Association).

Nevertheless:

- the definition of enabling environment, despite the discussion of human and physical capital fails to fully address interlinkages between economic, social and political contexts
- issues of property rights are largely ignored in practice, particularly for women and very poor people.
- ethical enterprise development has not been mainstreamed in enterprise policy
- sectoral policy and value chains analysis is generally only in economic terms and rarely used to identify empowerment strategies
- in the focus on exports, opportunities are missed for a serious discussion of encouragement and support for social enterprises ie sectors providing goods and services for local communities including services needed by women like childcare, domestic equipment.

An empowerment approach to small enterprise development would be based on a concept of the economy as one which works for empowerment of poor and addresses the continuing problems of unfair markets and market failure. It would include:

- a more holistic view of what is meant by enabling environment to encompass the range of goods and services, particularly those most needed by the poor and women
- an explicit commitment to supporting those who have least power within the current system. The enabling environment must also be seen in broader terms than just the interests of owner entrepreneurs. It must include the interests of labourers and workers, many of whom will be future entrepreneurs. It must also pay explicit attention to the needs of homeworkers who are a sizeable proportion of own-account workers and very small businesses. Development interventions need to balance individual interests of those in positions of power to fulfil them with the needs and interests of the powerless, and of society as a whole.
- macro-level advocacy and lobbying at the national policy level would be focused on promoting this agenda. It would also include policy work at the international level to address international inequalities and links between aid policies and national Northern trade interests.
- promotion of participatory structures at local, national and international levels to provide a basis for accountability of the economic system and the advocacy and lobbying.

Particular attention will need to be paid to gender issues which are generally ignored in discussions of enabling environments. Feminist economists, notably Diane Elson, call for the integration of gender into macro-economic analysis. In Elson's formulation social

reproduction becomes an inseparable element of a definition of the 'economic', and incorporates a 'domestic sector' alongside the private and public sectors. She then shows how this enables a more adequate analysis of markets, tax/benefits and information 'circuits' and highlights not only women's contribution to the economy but also how ignoring attention to women's needs and empowerment leads to inefficient economies (Elson 1998a,b, 1999). This approach thus formalises some of the recommendations in the Beijing Declaration relating to the economy¹².

GENDER MAINSTREAMING AND MACRO-LEVEL ECONOMIC POLICY: UNDERLYING PRINCIPLES AND SOME POLICY EXAMPLES

UNDERLYING PRINCIPLES

reconceptualization of the 'economic' to encompass analysis of and strategies to address:

- broader livelihood strategies and integrating non-market/reproductive work
- power relations at household, market, institutional and macro-levels

gender equity

- reform of policies which give inequitable advantage to men
- adequately resourced affirmative action to address women's gender-specific needs to redress previous discrimination and neglect
- 'mainstream' policy to take equal account of women's gender-specific needs rather than taking male-specific needs as the norm

poverty eradication

- reform of policies which give inequitable advantage to powerful interests of large-scale business and Northern economies
- specific support for very poor women and labour as integral part of enterprise policy

institutional accountability in economic decision-making at all levels

- women's equal representation
- representation of very poor women

SOME POLICY EXAMPLES

- legislation to treat women as independent actors with equal rights to control property, income and other resources
- childcare expenses and housing improvement allowable as part of business tax relief
- insurance schemes and pensions to take into account women's needs and working patterns
- affirmative action for promotion of production and services used and provided by women eg care services, technology to decrease burden of domestic work, preferential grants, collective and individual loans etc for female social entrepreneurs in poor neighbourhoods
- public expenditure on literacy and higher education for women, removal of gender stereotypes from curricula mainstreaming enterprise, business skills and different types of technology training for women in general education
- media promotion of positive images of female entrepreneurs and women in general
- structures for representation of women's organizations in decision-making, particularly those representing poor women and women in poor countries
- gender-disaggregation of all budgets, statistics and research and dissemination of information to women's organizations.

¹² For more detailed discussion of these issues see Mayoux 2001a.

SECTION 2.3: RETHINKING PARTICIPATION AND SUSTAINABILITY: FROM COST-EFFECTIVE GROUPS TO CIVIL SOCIETY DEVELOPMENT

Participation is a key and integral part of any empowerment strategy:

- as a structure for mutual learning and information exchange
- as a basis for collective action
- organizing top-down support for change in power relations.

At the same time, participation is no panacea. Participation can be interpreted in a number of different ways, as indicated in Box 6. It also faces many challenges. Frequently, particularly in the market approach, participation becomes reduced to using people's time and resources in order to decrease programme costs. This is particularly the case in many microfinance programmes where groups are expected to take on routine administrative functions and bear risks but have little influence in decision-making. There is no support for groups to effectively exchange information or engage in collective action.

Recently there has been increasing emphasis on formation of Business Associations, networks and advocacy organisations of different types. This is included both organisations like SEWA and Home Net campaigning for the interests of very poor women in the informal sector and organisations of small business owners like a number of organisations represented at the SDC conference to which this paper is a contribution. Details can be found in other papers on this site.

However participation and networking are no panacea. Participation is not necessarily efficient. Participation takes time and resources. Unless everyone has sufficient access to the necessary information, the decisions made are not necessarily the most effective ones. This has been a particular problem with many cooperatives. Time taken in collective decision-making takes people's time away from other activities.

Participation is not necessarily equitable. Group or network formation inevitably means that some people are members and some are not. Although some cultures have traditionally been participatory, many are hierarchical. Even where grassroots democracy has involved participatory discussions and decision-making, this has often excluded women, the very poor and ethnic minorities. In cultures where norms of hierarchy and respect are entrenched, it requires considerable investment in skills for participation, changing attitudes and behaviour in order to have an equitable and efficient participatory process.

Within groups and networks different people have different skills, resources, needs and priorities. It is inevitable that power relations will affect how participation takes place and the practical outcomes.

Even where internal participation is equitable, efficient and effective, the external challenges may be so great that collective action cannot succeed. There may be considerable opposition from vested interests. These may operate from the better off, or particular interest groups, within groups and networks as well as from outside.

It is clear therefore that a lot of thought must be given to:

- *what particular types and levels of participation* are necessary for empowerment?
What sort of contributions might increase people's capacities and confidence?

What sort of decisions are the most critical and likely to be made most efficiently?
 What sort of collective action is likely to be the most effective?

- ***Who is to participate*** and what structures are needed in order to ensure equitable participation? Not everyone will want to participate in the same way. How can costs and benefits be balanced? How can these decisions be made? Are there any need for agreements and regulations e.g. on gender composition of decision-making bodies?

BOX 6: KEY DEFINITIONS: DIVERGENT UNDERSTANDINGS AND CRITICAL QUESTIONS

PARTICIPATION

participation as membership of groups or projects with access to services

participation as contribution of member resources (eg savings), time and skills (eg for group meetings) to enhance sustainability of services and programmes

participation as decision-making over a range of decisions further differentiated as:
consultation through eg PRA exercises
influence through structures for representation
control through ownership of group and/or programme assets

participation as organisation for wider economic, social and political goals further differentiated as:
group formation at local level
wider mobilisation

CRITICAL QUESTIONS

- ***what sorts of participation are necessary for empowerment? at what levels?***
- ***who is to participate? how can equitable participation be ensured?***
- ***how can participation be facilitated and sustained?***

INHERENT CHALLENGES

- potential costs for participants in terms of time and resources and is not always matched by benefits
- power and resource inequalities affect who participates, how they participate and who benefits
- lack of grassroots skills and expertise for participation and lack of skills and expertise within programmes and donor agencies for facilitating participatory processes
- lack of resources and commitment, or overt resistance and opposition, from those who would be challenged by increasing participation and empowerment, including the 'better-off grassroots', programmes and donors themselves

One of the key challenges is sustaining groups and networks over time. There is often considerable enthusiasm at the beginning. But if benefits do not soon materialise then enthusiasm wanes and organisations disappear. This is not necessarily a bad thing and there needs to be some degree of flexibility in assessing the levels of 'success' of participatory organisations. For example 'success' could also be defined in terms of developmental sustainability of the participatory skills and very informal networks which people have acquired through their involvement in a more focused participatory initiative. After one particular instance of collective action, people may wish to get on with their lives based on what they have achieved. The important point is to plan so that people can then also re-establish groups and networks and come together again if the need arises. The skills learned must be applicable to different contexts and areas of activity.

All these points also apply to small enterprises networks and associations. Many of these organisations do not have an explicit vision for an empowering economy. Many exist only to promote the interests of their particular members, without a broader vision for equitable development. Many are excessively bureaucratic with ordinary members having little say or role and procedures which are not necessarily efficient in their use of people's time. Many are mainly composed of better off small entrepreneurs and still exclude very poor entrepreneurs. Women's participation is often highly unequal compared to that of men, both in terms of what they contribute and their control over key decisions. Sustainability is frequently a problem.

There is an urgent need for detailed discussion of best practice within networks and small business organisations to overcome and address these challenges:

- How can procedures be streamlined to make most effective use of members time?
- How can the interests of very poor producers, women and other marginalised groups be equitably represented? Through the same organizations? Or separate organizations? How can marginalisation be avoided?
- How can interest be sustained over time? Through collective strategies for learning and information exchange? Provision of services to members? Through collective action?
- How can these organisations have greatest influence on policy-making? How can resistance and marginalisation at all levels be overcome?

SECTION 2.4: RETHINKING FINANCIAL SERVICES: FROM MINIMALIST MAGIC BULLET TO EMPOWERING PROCESS

The language of empowerment has been particularly prominent in microfinance debates. The second explicit aim of the Microcredit Summit campaign is not only reaching, but also empowering women. The first aim is reaching large numbers of very poor people, poverty reduction and the formation of sustainable organisations come third and fourth. The degree to which current 'Best Practice' models are actually realising their potential is currently hotly debated¹³.

Until recently debate about Best Practice has been dominated by what is generally known as the financial sustainability paradigm, the financial systems approach or sustainability approach. This has underlain the models of microfinance promoted since the mid-1980s by most donor agencies and the Best Practice guidelines promoted in publications by USAID, World Bank, UNDP, CGAP and the Micro-credit Summit Campaign¹⁴. The ultimate aim is large programmes which are profitable and fully self-supporting in competition with other private sector banking institutions and able to raise funds from international financial markets rather than relying on funds from development agencies¹⁵. The main target group, despite claims to reach the poorest¹⁶, is the 'bankable poor': small entrepreneurs and farmers.

Policy discussions have focused particularly on:

- setting of interest rates to cover costs,
- separation of micro-finance from other interventions to enable separate accounting
- programme expansion to increase outreach and economies of scale
- group-based delivery to decrease programme administrative costs.

Recent guidelines for CGAP funding and best practice focus on production of a 'financial sustainability index' which charts progress of programmes in covering costs from incomes. This emphasis on financial sustainability is seen as necessary to create institutions which reach significant numbers of poor people in the context of declining aid budgets and opposition to welfare and redistribution in macro-economic policy.

More recently, however, there has been increasing discussion of the 'developmental or poverty reduction paradigm'. This underlay many NGO integrated poverty-targeted community development programmes. The main focus of programmes as a whole is on

¹³ See for example the many papers on a new website from One World Action on women's empowerment and micro-finance: www.oneworldaction.org. All the issues discussed here are discussed in more detail in the author's conference paper on this site (Mayoux 2002) and Mayoux 2001.

¹⁴ The most detailed articulation of this paradigm is given in Rhyne and Otero 1994, and echoed in publications and funding guidelines by USAID, ODA-UK (now DFID), World Bank, UNDP and increasingly by other members of CGAP. See for example World Bank 1995, UNDP 1997, DANIDA 1998. Copies of CGAP publications can be obtained from CGAP Internet web-site: <http://www.worldbank.org/html/cgap/cgap.html>

¹⁵ In Rhyne and Otero's formulation achieving self-sufficiency is seen in terms of four stages or levels. The first level is where grants for soft loans cover operating expenses and establish a revolving loan fund. At the second level programmes raise funds by borrowing on terms near, but still below, market rates. Interest income covers the cost of funds and a portion of operating expenses, but grants are still required to finance some aspects of operations. At the third level most subsidy is eliminated. At the fourth level programmes are fully financed from the savings of their clients and funds are raised at commercial rates from formal financial institutions. Fees and interest income cover the real cost of funds, loan loss reserves, operations and inflation and profits.

¹⁶ Eg in Micro Credit Summit documents and the title of CGAP itself: Consultative Group for the *Poorest*.

developing sustainable livelihoods, community development and social service provision like literacy, healthcare and infrastructure development. There is not only a concern with reaching the poor, but also the poorest. Policy debates have focused particularly on:

- the importance of small savings and loan provision for consumption as well as production
- how financial and non-financial services can or should be integrated
- the relative merits of different types of group
- possible justification for some level of subsidy for programmes working with particular client groups or in particular contexts¹⁷.

Some programmes have developed effective methodologies for poverty targeting and/or operating in remote areas. This paradigm has also emphasised the importance of self-managed minimalist models as being more suitable particularly in very poor rural areas where other models can never be financially sustainable. They are also seen as more empowering because people themselves control decisions. They depend on substantial voluntary import and so administrative costs, and hence interest rates, may be lower.

There have also been some very important recent developments:

- the emphasis on *market-research* to improve products. This has been partly prompted by increasing competition between financial service providers which mean they cannot survive without better product design. It is also been promoted in the interests of better poverty reach, addressing women's needs and poverty reduction.
- the formation of *microfinance networks* to lobby governments for regulation which would support and encourage expansion of microfinance.

Nevertheless, there is a tendency also to promote products like savings and insurance in terms of financial sustainability rather than benefits to poor people. Self managed programmes are promoted more in terms of financial sustainability than empowerment. Market-research does not necessarily address empowerment concerns. Empowerment issues, including gender, are generally completely omitted in macrolevel lobbying and considerations about regulation.

This need not be the case. There are many ways of increasing the empowerment potential of microfinance in many different types of microfinance model as indicated in the case of women in Box 7.

Repayment schedules and methods of interest calculation may be as important as interest rates themselves in enabling women to profitably use loans and their ability to control both loans and incomes. In many programmes these are fixed in an arbitrary manner with little consultation, often because of replication of particular models from other contexts. The repayment schedules and methods of interest calculation preferred by women however varies between context and type of programme. For example in CODEC in Bangladesh fishworker women preferred declining balance repayments because it enabled them to immediately pay back any money they earned and prevent this being diverted into other

¹⁷ See for example Johnson and Rogaly 1996, although they would also agree with elements of the feminist empowerment paradigm proposed here.

purposes by their husbands. Interest rates were calculated quickly on a calculator in front of borrowers by programme staff whom they trusted. Other mechanisms also ensured against corruption. In Cameroon Gatsby Trust on the other hand women preferred fixed rate interest which they could calculate themselves as they were more familiar with fixed rate interest in their own ROSCAs and groups were expected to take on the burden of loan repayment without individual staff supervision. In CGT case studies of patterns of loan use and profits indicated that inflexible disbursement procedures and repayment schedules had an adverse effect on profits from women's activities. Again this also has potentially adverse implications for repayment rates. Flexibility to women's needs does not mean being 'soft on default'. It is possible, as in the case of CODEC, to fix repayment schedules with borrowers and reward or penalise performance the relation to be agreed schedule. This also encourages borrowers to take a more strategic approach towards loan use, itself an important contribution to increasing women's skills and loan ownership¹⁸.

BOX 7: DIMENSIONS OF AN EMPOWERMENT STRATEGY FOR MICRO-FINANCE

- incorporate empowerment issues into product design and market research
- develop innovative approaches to integration of financial from non financial services and the point of delivery to ensure greater development effectiveness and cost efficiency
- include strategies for mainstreaming the interests of small enterprises into mainstream financial service provision as part of an ethic of social responsibility.

EXAMPLES OF MICRO-FINANCE PRODUCTS FOR WOMEN'S EMPOWERMENT

- repayment schedules and interest rates to maximise impact on incomes
- registration of assets used as collateral or purchased with loans in women's names or in joint names and applicable in both loans for women and men
- incorporating clear strategies for women's graduation to larger loans
- 'multiple choice' options based on participatory consultation including loans for new activities, health, education, housing etc
- range of savings facilities which include higher interest deposits with more restricted access
- loans to reinforce and strengthen male responsibilities for household well-being, including that of their wives and daughters e.g. loans for daughter's education

The separation of financial and non-financial services also needs to be questioned. In many contexts this may not be the most cost-effective development option. There are definite advantages in combining microfinance with other interventions in terms of:

- cost-effectiveness through reducing time and transport costs for both programme staff and participants when one meeting is used for both savings and credit and other development work

¹⁸ Case studies of both these organizations can be found on the One World Action website: www.oneworldaction.org.

- higher impact of ongoing training compared with one-off separate trainings. All the evidence indicates that ongoing mentoring is much more useful for very poor women than one of enterprise training. Gender awareness needs to be linked with strategic actions over a long period of time in order to be effective.

Rather there is a need to examine carefully the most cost-effective means of building on complementarities to make most effective use of the time and energy of both staff and programme participants and have the most empowerment contribution. This does not mean a retreat into those previous models of integrated development which lacked a clear focus or hid inefficiency in microfinance delivery behind vague and unsubstantiated claims of poverty alleviation or empowerment. What is needed is a clearer and more strategic approach to how microfinance can be best combined with other interventions as a 'joined up' strategy for development through:

- identification of the range of needs of programme clients in relation to poverty reduction and empowerment
- identification of the specific contribution of different components of the microfinance programme and how these might be themselves better integrated: microfinance products, core organisational training, staff extension and group formation
- identification of ways in which programmes can link with other interventions of the same organisation and/or potential partner organisations

This will make it clearer which services are best delivered through an integrated microfinance package and which services are best treated as a separate project, or provided by collaboration with other specialist organisations.

In Sinapi Aba Trust in Ghana for example at the beginning of each loan cycle a series of topics are chosen by the women in cooperation with their loan officer. Time is then allotted for these at each weekly Trust Bank meeting, in addition to loan management activities. Women receive training in business skills such as customer care, pricing, marketing, and selling on credit, as well as exchanging business tips among themselves. They also discuss social topics, intra-household relations and community issues. Outside persons are occasionally brought in to address specialized topics, particularly those related to health. Although sessions are often led by loan officers, the women are encouraged to lead sessions whenever possible and share their knowledge. Many of the Sinapi Aba Trust clients interviewed in recent impact studies linked changes in their business, empowerment, and relationships with their husbands directly to the training and discussions they participated in at Sinapi Aba. Client satisfaction focus groups revealed that many of women were willing to pay increased fees to improve the quantity and quality of training that Sinapi Aba offers (Cheston and Kuhn 2002).

Another innovation is the REFLECT methodology. This was developed by Action Aid as a radical new approach to adult literacy between 1993 and 1995 through three action research pilot programmes in Uganda, Bangladesh and El Salvador. The best practice from the programmes was consolidated into a "REFLECT Mother Manual", published by ActionAid in 1996. Since then it has spread rapidly. In 2000, there were over 250 organisations working with REFLECT, involving a diversity of programmes in over 50 countries. More

recently, local and national governments have started to experiment with REFLECT. New resource materials are presently being worked on by a core group of REFLECT practitioners from 20 countries who are participants in the “International REFLECT Circle”. In Uganda, it is being implemented in ActionAid's microfinance program and also used as a catalyst to challenge gender relations¹⁹. There were many examples of men taking away the money these women got from either the group or the microfinance institutions. REFLECT has helped women to overcome some of these problems, increase incomes, buy land and strengthen their role in decision-making. REFLECT also provides a focus for women to express their views on the programme itself and how it could better address their needs.

Finally there is a need to also look at completely different models, like the self-help group movement in India. Here the main focus would be on linking self managed groups with the formal financial sector. NGOs would then be intermediaries engaged in group formation and different types of training. These would not be able to be financially sustainable but justify subsidy in terms of demonstrated effective poverty targeting and development contribution to different dimensions of empowerment. Where it is unlikely that the formal sector would ever be sufficiently free from corruption and discrimination, NGOs would still take over the developmental tasks needed to ensure that financially sustainable provision by MFIs translates into empowerment rather than just indebtedness.

¹⁹ Further details of REFLECT can be found through the REFLECT website: www.reflect-action.org
Two videos on REFLECT can be ordered through the website: ‘The Eye Opener’ from Action Aid Uganda and ‘Lines in the Dust’ which gives examples from Uganda and India.

ACTION AID'S REFLECT METHODOLOGY: FACILITATING WOMEN'S EMPOWERMENT THROUGH MICROFINANCE

Nandago Maria, Action Aid Uganda

REFLECT (Regenerated Freirean Literacy Through Empowering Community Techniques) has as its central concern:

“to enhance peoples capacity to have their voices heard— by whatever communication means necessary”

Distinctive features:

- Facilitators are trained from the local community and produce their own guidelines.
- There is no textbook - no literacy “primer” - no pre-printed materials other than the facilitator guidelines in the REFLECT Manual.
- Each literacy “circle” develops its own learning materials through the construction of maps, matrices, calendars and diagrams that represent local reality, systematise the existing knowledge of learners and promote the analysis of local issues. These build on established participatory methods.
- The participants produce a real document. By the end of the REFLECT process, each circle will have produced between twenty to thirty graphics representing a detailed analysis of their environment. Each participant will have personally adapted versions of these in their own books together with the phrases and later paragraphs they have written.
- The graphics also become a permanent record for communities, giving them a basis on which to plan their own development

What added value does REFLECT present for micro- finance groups?

- REFLECT enables women break the silence and begin making their own decisions on issues affecting them.
- REFLECT groups examine an ‘income and expenditure tree’ to look at how to identify viable projects. This is then developed into an Income Generating Activity matrix. REFLECT provides an opportunity for further discussion and generation of ideas around utilization, investment opportunities available and marketing options.
- REFLECT equips women with reading, writing and numerical skills hence enabling those involved to follow up easily on their records.
- REFLECT facilitates a mobilization of communities especially women. It provides a channel for information dissemination and sharing and creates a critical mass that can lobby and advocate for their rights

Recommendations based on women’s voices

- Introduce family loans, where the husband and wife are directly responsible and accountable for the loan issued to them.
- Incorporate technical and other related training for effective credit utilization
- Flexibility in repayment schedules depending on economic activity patterns
- Ensure timely issue of credit depending on what the beneficiary want to use the credit for.
- Loans should have a reasonable grace period to enable one accumulate enough money to be able to pay back and save some

SECTION 2.5: RETHINKING BUSINESS DEVELOPMENT SERVICES: FROM FINANCIAL SUSTAINABILITY TO STRATEGIC COHERENCE

In recent years there has been an increasing focus on market-led Business Development Services as a complement to microfinance. Many subsidised training and marketing programmes had low levels of outreach and limited impact on incomes. In many industries most training takes place in the form of apprenticeships paid for by would-be entrepreneurs. Subsidised training was often less effective and less relevant to needs than informal apprenticeships in the private sector. Subsidised marketing support was often riven with inefficiency and corruption. This inefficiency of training by development agencies contrasted with what are often much more effective apprenticeships and mentoring in the private sector²⁰.

Importance of making services relevant

In a study of handicrafts in West Bengal in the 1980s, the author found that government-sponsored training for women was rarely used by women for production. It was mainly accessed by better off women with contacts in the bureaucracy as a means of occupying their time between school and marriage. They had no intention of engaging on production. The training itself was in any case not very relevant to the needs of the market, teaching skills which were not needed to produce the sort of products at the sort of prices which people were prepared to pay. The training gave no guidance whatsoever on enterprise. In contrast, many poor women already involved in handicraft production were teaching other women in their own villages or in villages where they married. In this way marketable were being very rapidly spread throughout the area without any external intervention whatsoever (Mayoux 1989).

In the Indian silk industry in the 1980s successful poor entrepreneurs tended to be those who learned the business first as labourers. Government training programmes were often given by people with no enterprise experience. They were not adequate to teach people the difficult balance between silk quality and price on the market or the difficult types of negotiation needed to survive in an industry where corruption and unfair competition were rife (Mayoux 1993).

In the Moroccan textile industry women entrepreneurs working from home had very developed systems for apprenticeship and skills development. In some cases this also extended to assistance with market contacts. (Mayoux 2003d forthcoming)

The market-led approach²¹ aims not to subsidise services directly, but to develop market-based services through looking at what types of services are really in demand and how much entrepreneurs would be prepared to pay. The focus of development intervention is then on setting up organisations providing these services in a financially sustainable manner. In this way, services are seen as being capable of much greater expansion to reach

²⁰ In addition to the examples in the Box, see also Suzuki 2002.

²¹ See CDASED 2000; Intercooperation 2000.

many more people without continual dependence on donor subsidy. This market approach has been extremely important in highlighting:

- the importance of complementing existing services which people access from the private sector.
- the principle of accountability to users. The market approach assumes that payment for services will ensure that they answer to a demand. In order to assess this demand, as in microfinance, organisations are expected to conduct market research.

However, despite its undoubted contribution to increasing incomes and profits for smaller entrepreneurs at the top of the spectrum, there are serious shortcomings for poorer entrepreneurs. From an empowerment perspective, there are also a number of key questions about the models of enterprise being promoted and the scope of support being given.

BOX 8: AN EMPOWERMENT APPROACH TO BDS

INTEGRATION OF EMPOWERMENT CONCERNS INTO ALL BDS

- training should be empowering through use of participatory methodologies and developing trainee confidence and competence to innovate themselves and conduct participatory discussions
- training should use empowering images and cases and counter discrimination
- marketing support should foster independence rather than dependence
- ethical enterprise principles should underlie all services

SPECIFIC SERVICES ADAPTED TO THE NEEDS OF THE VERY POOR, WOMEN AND OTHER DISADVANTAGED GROUPS

- enterprise training specifically adapted to the needs of subsistence enterprises
- legal aid support for women and other disadvantaged groups
- services or linkages to services for women and disadvantaged groups: services to reduce burden of unpaid domestic work, including childcare, disability services and charities providing cheap or free healthcare.

FACILITATING EFFICIENT LINKAGES AND NETWORKING BETWEEN CLIENTS FOR COLLECTIVE ACTION INCLUDING:

- subsidised training in organisational skills
- communications services eg lists of people able to provide particular skills and services
- Internet access and lists of relevant websites for advocacy and lobbying
- Information on macro level policies taught in such a way as to facilitate questioning and collective action

The obvious example of integration of ethical principles are the diverse services offered by Fair Trade Organizations. Even without offering the full range of such services, there are ways in which empowerment concerns can be mainstreamed in services for all small businesses without undermining financial sustainability. This concerns the types of methodology being used in training and the underlying principles and messages being promoted. The use of participatory methodologies, for example participatory value chains

analysis, diagramming techniques and building people's capacity to collect information and organise will teach useful skills which are applicable outside the training context²². At a very basic level the language used in training must be gender-accurate and avoid stereotypes. The types of examples of entrepreneurs being used could reflect empowerment of women or disabled people, challenging stereotypes. The types of questions being asked could reflect ethical dilemmas and questions about intra household relations and stereotypes. These are all relevant to business development. Even the types of pictures on the walls of offices and promotional calendars.

DIVERSIFIED EMPOWERMENT STRATEGIES OF FAIR TRADE ORGANIZATIONS

- ***Direct support for producer/employee organizations***
 - technical support and skills training
 - provision of price support against market fluctuations and/or payment of a premium
 - Business development services advice, training and information for product development and marketing, including brand development
 - managerial/organizational assistance and training including development of innovative forms of organization and partnerships between producers
 - provision of finance to producers or workers for productive investment or to decrease vulnerability and increase their bargaining power

- ***Work at community level***
 - use of part of profits for community level activities e.g. schools, health centres
 - local-level awareness raising campaigns around issues like child labour, health and safety, environment

- ***Intervention in marketing chains***
 - facilitation of market linkages between small-scale producers, wholesale and export markets and/or consumers through BDS or direct purchase and incubating newcomers to international trade.
 - setting up of alternative marketing chains and/or creation of shared ownership of Fair Trade marketing companies and brands involving ethical investors and traders in developed countries and southern producer organisations.
 - consultancy on ethical issues for large and medium scale enterprises
 - advocacy or campaigning for better prices, conditions, trade relations, tariffs etc for producers
 - networking to develop ethical Codes of Conduct and labelling conditions
 - promotion of fair trade consumer markets.

- ***Work at the macro-level***
 - advocacy for legislation in areas like human rights, child labour, gender equality, rights for informal sector workers
 - networking to promote fair trade and ethical principles and develop alternative models for the mainstream
 - development education to raise public awareness of poverty and global inequality

²² For more discussion of these issues see Mayoux 2003c and d forthcoming.

Secondly, there is a need for a differentiated strategy for different target groups. Unless people are really destitute, some fee should be paid for things like skills training in order to ensure accountability and rather than offering stipends, timing should minimise disruption of peoples' income earning. Some ongoing subsidy is however likely to be necessary for other services in order to ensure poverty reach. Women's attendance may be dependent on provision of childcare services at training, particularly for women who normally work from home. Some types of services for empowerment may need to be given free. For many women on some courses it is important that their husbands attend parts of the training in order to increase their gender sensitivity and avoid problems of conflict at home. It is unlikely that men would pay for this. For example the marketing training for women in the silk industry, although it does not reach many women, has had an impact on thinking and stereotypes in the industry as well as assisting the individual women concerned. As these women, and particularly their husbands, were initially unsure about women's entrepreneurship, it is unlikely that women would be unable to attend if they had had to pay. Legal aid support is crucial for many women in business, but would need to be subsidised and probably free for women in very difficult circumstances.

EMPOWERING TRAINING STRATEGY ADOPTED BY WOMEN'S MICRO-ENTERPRISE PROMOTION (WMEP) PROJECT IN INDIAN SILK INDUSTRY

- seeking out existing **successful women entrepreneurs** to guide the needs assessment and to participate in the programme - both for training and in follow-up
- having training as an initial orientation with **greater emphasis on subsequent follow-up** ('escorting') over a period of around one year
- identifying a **local NGO** to play a key role in the process - both in selection of potential women entrepreneurs and in providing sustained follow-up
- developing women's confidence through carrying out marketing **activities as a group**
- using **tools of communication** which are appropriate to women with low levels of literacy and numeracy - but promoting literacy and numeracy skills at the same time
- involving technical consultants who have **practical experience and skills** related to silk technologies and markets
- motivating **men** as well as women.

Thirdly, services need to be designed in such a way as to facilitate collective action and advocacy and lobbying. There is a need for subsidised training in organisational skills for this. Womankind's money literacy program for example integrates both gender and analysis of the macrolevel economic context to increase women's awareness of the potential opportunities and constraints facing their businesses. They are also given basic numeracy training. However such facilitation need not be costly, but consist of things like facilitating registers of people for skills exchange, useful Internet web sites and so on.

WOMANKIND'S MONEY LITERACY PROGRAMME

WOMANKIND Worldwide is a women's rights and development organisation with a conceptual framework with focus on the four literacies: namely Word, Body, Civil and Money. Each literacy tackles one component of women's rights. The linkages between the literacies provide an integrated approach to women's empowerment, to development, and to social and political change.

The money literacy component is tackled at different levels and addresses the following types of issues:

1) *At a policy level:*

advocacy and awareness-raising on economic issues such as:

- International and national macro policies
- Terms of trade
- National and local budget allocations
- Property rights and inheritance laws
- Women's rights in the home: e.g. divisions of labour and entitlements

2) *At a NGO level:*

- Money literacy training, i.e., going beyond the training of NGO staff and community in effective credit and savings delivery to training as relevant in basic maths, economics, finance, business and marketing, entrepreneurship. The idea is to focus on the local economic experiences. To expand people's understanding of the transactions they are involved in, their choices and their constraints so as to maximise the chances of women being able to succeed.
- As well as the training and support to microfinance schemes WOMANKIND also encourages partner NGOs not to stop at the microfinance blue-print but to look at areas of economic and livelihoods support such as:
 - Organic agriculture
 - Support to improved transport, processing and marketing of agricultural products, e.g. donkey carts and ploughs, food-presses and mills
 - Other ventures relevant to local economy e.g. potters, traditional birth attendants, etc
 - Finally, the programme approach focuses on linkages and joint training between local NGOs and communities. It links macro-level policy work, NGO capacity building, direct service delivery and awareness-raising level work in a holistic approach which connects between the local and global and thereby increases critical mass and the power to influence.

It is clear that wherever feasible costs should be covered by those benefiting from services. It is also clear that there are groups and types of support which are important for achievement of empowerment and pro-poor growth which cannot be provided on a financially sustainable basis. Here the concern should be sustainability of the development contributions and network set up. Empowerment knowledge and role models also spread rapidly by word of mouth, people frequently organise themselves in networks. Subsidised services should be designed in order to complement and stimulate private sector initiatives like the spread of skills in the bag weaving and textile industries illustrated in the Box above.

SECTION 2.6: RETHINKING IMPACT ASSESSMENT: FROM DONOR POLICING TO EMPOWERING INQUIRY

A key component of any empowerment strategy is understanding the aspirations, needs and strategies of very poor people and the ways in which they are responding to different contextual opportunities and constraints. Empowerment strategies then build on people's own initiative to reinforce positive forces for change as well as working at the macro level to ensure an enabling environment. Development agencies must ensure downward accountability of their interventions to ensure that they are using people's time and resources efficiently and achieving their goals effectively.

The growing interest in market research for product and service design has been mentioned above in relation to micro-finance and BDS. Recently there has also been increasing emphasis on information systems, monitoring, evaluation and impact assessment. Most of the pressure has come from donor agencies anxious to demonstrate efficiency in use of funds. In the context of declining aid budgets and intense competition between the rapidly increasing number of development actors, staff within donor agencies and international funding NGOs have to justify in greater and greater detail the funding decisions which they make. They need to convince the tax-paying public, compete with other departments for government expenditure on aid and also with other departments within government aid agencies. Many development organisations themselves are also increasingly recognising the importance of a more systematic and in-depth understanding of the impact their interventions have on those participating in their projects and programmes. Such understanding is essential to being able to constantly improve their work. The range of information required has expanded to encompass not only financial information, but also demonstration of effectiveness in achieving their development goals.

However it is becoming increasingly clear that conventional approaches to monitoring, evaluation and impact assessment generally fail to live up to their expectations or potential. The whole process tends to be geared to collecting the minimum information required by donors in order to obtain funding. In many organisations there has been considerable resistance to implementation of effective monitoring and evaluation systems. In many organisations there has been considerable resistance to implementation of effective monitoring and evaluation systems. Resource constraints mean that information obtained is generally oversimplistic and of limited use in decision-making. At its worst it is reduced to a box-ticking exercise which all concerned wish to get over as quickly as possible, confined to reports which are rapidly shelved, so that people can move on to the 'real task of development'. Impact assessments have often been superficial and the findings ignored if they were negative. Even so-called 'participatory monitoring and evaluation' is generally extractive, expecting programme participants to donate their time and resources to answering questions which they had little role in deciding. They have even less control, or even knowledge, of the analysis, recommendations and outcomes of the process.

Alternative approaches however are currently being developed which would be both empowering in themselves, more useful in informing practice and more sustainable in the longer term. These include particularly participatory poverty impact monitoring in Small Enterprise Foundation (SEF) in South Africa, the Integrated Learning System being developed for women's empowerment by Helzi Noponen in PRADAN in India, participatory monitoring and social accounting systems in Fair Trade organisations, 'lateral learning' methodologies for civil society development being pioneered by a network of

NGOs in India²³ and the growing number of multi-stakeholder assessment and planning initiatives.

ANANDI works with the poorest women of the tribal and other backward communities in Saurashtra and Panchmahals-Dahod district in Gujarat. A key initiative was a 'mela' in 1999 bringing together over 600 women leaders from 211 SHGs and NGO organizers. The mela was designed to provide a forum for:

- Sharing experience on women's journey of self development and community development
- Giving women's collectives exposure to a wide range of strategies for securing basic rights
- Initiating a process of horizontal networking between rural women's groups

The objective was to highlight issues concerning women, highlight the contribution made by SHGs in development, showcase positive trends and emerging role models, disseminate strategies used by mandals/ sanghatans to address concerns and counter mainstream patriarchal stereotypes about what constitutes women's development. Above all, it was an effort to provide a platform where information, experiences and perspectives of the SHGs/mandals combined to give them an enhanced understanding of their mandate.

An approach called SPALS currently being piloted with Kabarole Research Centre in Western Uganda and funded by Hivos. This approach:

- builds on the information needs and interests of the poor rather than donors developing their capacity for information collection and analysis as an integral part of e.g. Business Development Services and group activities and microfinance
- integrates participatory, qualitative and quantitative methodologies to ensure that the information collected is rigorous, useful for practice and directly fed into decision-making
- brings together different stakeholders to make the whole process more sustainable and cost-effective

²³ Details of these methodologies and organisations can be found on the DFID-sponsored Enterprise Development Impact Assessment Information Service (EDIAIS) website www.enterprise-impact.org.uk ; SEF website www.sef.org and Mayoux ed 2002 forthcoming. Queries can be addressed to the EDIAIS listserve contactable through the website or the author L.Mayoux@dial.pipex.com

**SUSTAINABLE PARTICIPATORY ACTION LEARNING SYSTEM (SPALS):
KEY CHARACTERISTICS****ACTION LEARNING**

- The main aim is to yield practical recommendations for programme improvement in future, rather than simply ‘policing’ what has happened in the past.
- Practical questions are the starting point for identification of indicators, sampling and design of investigation.
- The design of the investigation process and dissemination builds partnerships for decision-making as part of the learning process.

PARTICIPATION FOR EMPOWERMENT

- Builds on grassroots information needs
- Develops grassroots capacity for investigation and action
- Links grassroots learning into decision-making in order to ensure downward accountability to programme participants as well as upward accountability to donors.

SUSTAINABLE SYSTEM

- Integrates learning into all routine programme/participant interactions and Information Systems to minimise cost and time
- In order to maintain interest and commitment information is collected and analysed at first point of use
- In order to maintain rigour and credibility it develops complementarities between information collection of the different stakeholders including donor reviews and evaluations and academic research so that these build on and serve as triangulation rather than ad hoc duplication of each other.

PART 3: EMPOWERING INSTITUTIONS OR DEEPENING BLACK HOLE? THE CHALLENGE FOR DEVELOPMENT AGENCIES

Supporting an empowerment approach in small enterprise development will require some changes in development agencies themselves. Some of the key empowerment questions which need to be asked in funding decisions for supporting SED projects, programmes and policies are outlined in Box 9.

Firstly there is a need to think through the much more detail the issue of sustainability and the relationship between developmental, organizational and financial sustainability. This does not mean ignoring issues of cost effectiveness and accountability. But it means prioritising developmental effectiveness and then assessing whether or not development goals have been met most cost effectively. It means moving away from simplistic and mechanical methods for financial accounting and performance measurement to a more rigorous and participatory system for assessing development contribution.

SUSTAINABILITY

financial sustainability: calculated in economic terms, balancing monetary costs against income

organizational sustainability: assessed in terms of durability of the groups, community organizations, NGOs or other institutions set up

developmental sustainability: contribution to sustainable livelihoods, capacity-building of clients to form new networks and groups, linking of clients to mainstream institutions ie contributions which will continue to exist once the supporting organization has withdrawn and even if specific institutions set up fail.

Secondly they will have to ensure implementation of equal opportunities policies and also higher levels of participatory decision-making within their own organisations. This includes donor agencies and NGOs as well as programmes.

Thirdly there is a need for much greater communication between social development staff with the necessary social analysis and participatory skills and enterprise development staff from an economic background. Both are necessary in order to ensure that small enterprise development efficiently and effectively addresses empowerment concerns. This applies in both for staff in development agencies themselves and the consultancy teams they employ at various stages of projects in programme management.

However unless small enterprise development seriously addresses empowerment issues its contribution to poverty reduction is likely to remain negligible. Unless there is an explicit commitment to empowerment and poverty targeting, there is a serious danger that these goals will fall through a series of 'black holes' between the different understandings of the various agencies involved.

Proponents of the market led approach have argued that very poor people may not be appropriate target groups and that the goal of empowerment should not be held up for small enterprise development. Failure to fund BDS for the very poor is justified by some agencies by reference to micro-finance service provision as a 'better instrument'. But those in the micro-finance field often claim micro-finance is not applicable for the poorest. For example the head of enterprise development in one of the main agencies promoting 'pro-poor

growth' quite rightly pointed out at the recent Micro-credit Summit +5 in New York:

‘ the most cost-effective way of fulfilling the Millenium Development Goals on poverty reduction through micro-finance is to target those just below the poverty line and move as many of them just above it’.

While those just below the poverty line are obviously an important part of a poverty reduction strategy, trickle-down cannot be assumed and this hardly amounts to a programme for poverty eradication, much less empowerment.

It is extremely worrying that a key element of a poverty reduction strategy is failing to reach and benefit the very poor, and may be even further disadvantaging the most disadvantaged. As noted above, small enterprise is often the only resort very poor people have to cope with increasing poverty. Without addressing poverty targeting and empowerment in micro level interventions it is difficult to see how any grass-roots base can be built up to inform pro poor policy advocacy and policy at the macro-level. Even if policies are changed, it is unclear how they can be enforced and implemented in many countries without a grassroots base to ensure accountability. In many cases the macro-level policies proposed, despite the rhetoric, are not in any way pro poor and are often anti-poor.

There are similar dangers in relation to gender policy as discussed in detail by the author elsewhere (Mayoux 1998). Women's empowerment and gender mainstreaming continue to be seen in instrumentalist terms rather than a cross-cutting concern to be prioritized and addressed in its own right. Serious questions are being raised about the degree to which expansion of the small-scale sector and small-scale enterprise development are increasing women's work burden and responsibilities without any concomitant change in underlying inequalities. Most women continue to be consigned to a low income ghetto, have limited control over the income they earn and unequal control of productive resources and decision-making at all levels. In response to women's increased productive role and responsibility men are often withdrawing their household contributions. Current SED policies may therefore be disempowering women even where, as in micro finance, they are key target groups. Gender issues are generally completely ignored in macro-level enterprise policy, even where governments and agencies have explicit gender policies 'in another department'.

Unless SED fulfils the international commitments to pro-poor growth and gender mainstreaming, it is likely that funding will decrease over time as other areas of development interventions like education and health demonstrate greater contribution to poverty reduction and Millennium Development Goals. A reduction in funding is already evident in micro finance. This is despite the fact that coverage of micro finance remains minimal in relation to need and the considerable potential of micro finance as part of a poverty reduction strategy. It is also despite the fact that funding for frequently cited 'alternative interventions for the very poor' remain a pipe dream on some very far distant horizon. Welfare budgets continue to be cut, as do funds for women's empowerment programs.

BOX 9:EMPOWERMENT CHECKLIST FOR DONORS**ORGANIZATIONAL VISION**

- is there *a specific commitment to empowerment*? How is empowerment defined? Which spheres and levels are explicitly addressed by the project/programme/policy? What spheres and levels are implicitly or explicitly excluded?
- *who are the target groups*? Do they include the very poor? Women? Other disadvantaged or marginalized groups? If they are excluded, how is this justified?
- in *other programme documents* what are the underlying assumptions being made about related concerns like poverty, inequality, gender eg in use of language, terms such as ‘farmer’ ‘entrepreneur’? Are these coherent with the empowerment vision?

GRASSROOTS PARTICIPATION

- how far and in what ways is grassroots participation encouraged?
- who is participating?
- is this only in terms of client contribution and access?
- what methods are used for client consultation?
- are there structures for decision-making and provision for client ownership of assets?
- is there support for collective action?

MACRO-LEVEL POLICY

- are people given information about macro-level opportunities and constraints?
- are people facilitated to take advantage of wider opportunities?
- are they supported to challenge wider constraints?
- is any direct lobbying and advocacy envisaged?

STRATEGIC COHERENCE

- how far are potential complementarities between different strategies reinforced?
- are any tensions or contradictions likely? how are these to be addressed?

SUSTAINABILITY

- are the development contributions of the intervention sustainable?
- are the institutions set up organizationally sustainable?
- are the organizations financially sustainable from profits or long-term funding sources?

INSTITUTIONAL-LEVEL EMPOWERMENT

- is there an equal opportunities policy for staff? what is its nature and scope?
- what is the nature and scope of training for empowerment, including gender training?
- are there *concrete incentives* for implementation of empowerment strategies?
- are empowerment indicators, including gender, integrated into *monitoring and evaluation*? Is this information system itself empowering?

INTER-ORGANIZATIONAL COLLABORATION

- which spheres and levels of empowerment are explicitly excluded from the project/programme/policy?
- how far are these addressed by inter-organizational collaboration?
- what measures has the programme taken to collaborate with these organizations?

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APPENDIX 1: FRAMEWORKS FOR WOMEN'S EMPOWERMENT

FRAMEWORK 1: LONGWE PROGRESSIONAL FRAMEWORK

One of the first frameworks commonly used in NGO training is that of Sarah Longwe developed in 1989. This sees empowerment as a progression through a series of stages:

- *Welfare*
- *Access*
- *Conscientisation*
- *Participation*
- *Equality of control.*

This framework emphasises the need to go beyond welfare or practical needs, and also beyond access to resources into a much wider process including awareness of possibilities for change, participation and equality.

FRAMEWORK 2: ROWLANDS POWER RELATIONS FRAMEWORK

A framework developed by Jo Rowlands building on earlier work on gender and power by Naila Kabeer and Nici Nelson and Sue Wright. This sees empowerment, as the word itself implies, as inextricably linked with transforming power relations. Rowlands distinguishes between:

- *power from within:* individual changes in confidence and consciousness
- *power to:* increase in skills, abilities including earning an income, access to markets and networks
- *power over:* changes in power relations within households, communities and at macro-level
- *power with:* organisation of the powerless to enhance individual abilities and/or ability to challenge and change power relations

FRAMEWORK 3: CHEN'S MULTIDIMENSIONAL EMPOWERMENT

FRAMEWORK commissioned by UNIFEM for the AIMS micro-finance impact study

material change:

- *income:* increased income and income security
- *resources:* increased access to, control over, and ownership of assets and income
- *basic needs:* increased or improved health care, child care, nutrition, education, housing, water supply, sanitation and energy source
- *earning capacity:* increased employment opportunities plus ability to take advantage of these opportunities

perceptual change:

- *self-esteem:* enhanced perception of own individuality, interest and value
- *self-confidence:* enhanced perception of own ability and capacities
- *vision of future:* increased ability to think ahead and plan for the future
- *visibility and respect:* increased recognition and respect for individual's value and contribution

relational change:

- *decision-making:* increased role in decision-making within the household and

- community
- *bargaining power*: increased bargaining power
- *participation*: increased participation in non-family groups, in local institutions, in local government, in political process
- *self-reliance*: reduced dependence on intermediation by others for access to resources, markets, public institutions plus increased ability and ability to act independently
- *organisational strength*: increased strength of local organisations and local leadership

FRAMEWORK 4: WOMANKIND'S ACTION FRAMEWORK:

[Empowerment is] enabling women both as individuals and as a collectivity to achieve greater independence;

- achieve greater social recognition and independence from male tutelage;
- participate in decision-making at the level of their communities, region, state and beyond
- feel pride and self-esteem in themselves and other women;
- feel that they can achieve their ambitions; refuse to allow their daughters to grow up under the same constraints as they did

If we are concerned with women's empowerment we - men and women alike -can work to:

- **remove the obstacles** to women's empowerment
- **provide** needed training, education, information; assets or access to assets; negotiating and advocacy skills, etc.
- **enable** ie to create a supportive environment for women's development and self-empowerment ie creating the possibility for discussion, sharing and exploration

(Kate Young contribution to Ghana workshop on micro-finance and women's empowerment Tamale 1997)

FRAMEWORK 5: DFID'S TRIPLE FRAMEWORK: WOMEN'S EMPOWERMENT, EQUALITY AND EQUITY

EMPOWERMENT

'individuals acquiring the power to think and act freely, exercise choice, and to fulfil their potential as full and equal members of society.' Following UNIFEM DFID includes the following factors:

- acquiring knowledge and understanding of gender relations and the ways in which these relations may be changed
- developing a sense of self-worth, a belief in one's ability to secure desired changes and the right to control one's life
- gaining the ability to generate choices and exercise bargaining power
- developing the ability to organise and influence the direction of social change to create a more just social and economic order, nationally and internationally.

EQUALITY OF OPPORTUNITY

'Women should have equal rights and entitlements to human, social, economic, and cultural development, and equal voice in civil and political life'.

EQUITY OF OUTCOMES

'the exercise of equal rights and entitlements leads to outcomes which are fair and just, and

which enable both women and men to have the same power to define the objectives of development’.

Source: DFID Target Strategy Paper *Poverty Elimination and the Empowerment of Women*

FRAMEWORK 6: WOMEN’S HUMAN RIGHTS AND CEDAW

The Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) adopted by the UN General Assembly in 1979 clarifies the fact that the 1948 Declaration of Human Rights also includes women. These rights include:

- rights to life, liberty, security of person and freedom from violence and degrading treatment and freedom of movement
- legal equality and protection by the law including equal rights in marriage including (in CEDAW) women’s equal rights to make decisions in their family regarding property, marriage and children, property and resources.
- right to own property and from deprivation of property
- freedom of thought, opinion and association
- right to work, freedom from exploitation and right to rest and leisure
- *right to a standard of living adequate for health and right to education including special care for mothers*