Missing from the Miracle: Microcredit and Urban Market Women in Bolivia

Stephanie L. Small
Colby College

Follow this and additional works at: http://digitalcommons.colby.edu/honorstheses

Part of the Latin American Studies Commons

Colby College theses are protected by copyright. They may be viewed or downloaded from this site for the purposes of research and scholarship. Reproduction or distribution for commercial purposes is prohibited without written permission of the author.

Recommended Citation
http://digitalcommons.colby.edu/honorstheses/237
Missing from the Miracle
Microcredit and Urban Market Women in Bolivia

by
Stephanie L. Small

International Studies Honors Thesis
Advisor: Prof. David Nugent
Reader: Prof. Mary Beth Mills
Colby College
May 1998
Missing from the Miracle
Microcredit and Urban Market Women in Bolivia

Stephanie L. Small has completed the requirements for Honors in International Studies.

Prof. David Nugent, Advisor

Prof. Mary Beth Mills, Reader

Department of International Studies
Colby College
May 1998
ACKNOWLEDGMENTS

I would like to thank the following people who have helped make this thesis possible:

Prof. David Nugent and Prof. Mary Beth Mills for sharing their knowledge and understanding of gender and development, for the endless hours spent editing drafts, and for making the whole process enjoyable,

The Ford Foundation for the "Crossing Boarders" grant which gave me the opportunity to acquire primary information otherwise unavailable,

Prof. Patrice Franko, Heather, Amy, Liza, Jeana, and Luisa for providing a constant source of support,

Gilla Nina, Epifania, Ruth, Sofia, Paula, Marta, Felipa, Freddie, Viviana, Victoriano, and Juana for sharing their lives with me,

John Owens at USAID/Bolivia, Ocatvia and Carmen Velasco at ProMujer, Maria Victoria, Bridgett, Roxana, Jular, Susana, and Elisabeth at FIE, and Carlos Villaroel at BancoSol who allowed me to observe and understand the institutional side of microcredit,

Mike and Zum for their patience in editing,

And of course, my family and friends for their undying love and support.
# TABLE OF CONTENTS

CHAPTER ONE: INTRODUCTION

How Microcredit Works
The Origins of Microcredit: The Grameen Bank

CHAPTER TWO: NEOLIBERALISM

The Neoliberal Model
Neoliberal Policies in Practice

CHAPTER THREE: MICROCREDIT LITERATURE REVIEW

Goetz and Gupta
Todd
Smith
Jain

CHAPTER FOUR: METHODOLOGY

USAID
BancoSol
FIE
Freedom from Hunger
ProMujer
Clients
Limitations of Study

CHAPTER FIVE: THE THEORY

Public Objectives
Training Objectives

CHAPTER SIX: THE REALITY

USAID
BancoSol
FIE
ProMujer
Clients
CHAPTER SEVEN: THE EVALUATION

Expand Job Opportunities
Reduce Poverty
Profitability of the Organization
Economic Empowerment
Improve Living Conditions
Advance Productive Base
Use the Market
Improve Personal and Business Finance
Increase Savings
Empowerment
Improve Health
Family Planning
Child Development

CHAPTER EIGHT: THE MAKING OF A GENERIC BOLIVIAN WOMAN

The Broader Problem
Microcredit Background
ProMujer Clients
Small Families
Vending
Education
Child Development
Household Environment
Conclusion

CHAPTER NINE: CONCLUSION

APPENDIX

I. Sixteen Decisions
II. BancoSol Shareholders
III. Sources of Funding for FIE
IV. Sources of Funding for Freedom from Hunger
V. Sources of Funding for ProMujer
VI. Interview Questions for NGOs
VII. Interview Questions for Clients

WORKS CITED
CHAPTER ONE: INTRODUCTION

Over the past twenty years, a deceptively simple development strategy called microcredit has captured the attention of development planners, political figures, women advocates, and bank managers around the world. It began in a small village in Bangladesh but soon expanded throughout the Third World and into the First World. Some advocates declare that it is the solution to poverty. Some critics claim it only worsens the plight of the poor.

The concept of microcredit sounds simple—lend a few dollars to the poor to help them start or improve businesses. With the money they earn from the businesses, they can pull themselves out of poverty. No more expensive dams or roads to build financed by international institutions. Microcredit places the responsibility for development in the hands of the poor and actually makes money rather than wastes it.

Unfortunately, microcredit involves issues and agendas far more complex than initially identified by its proponents. In this thesis, I will begin to explore those issues in some detail arguing that microcredit is not a successful development strategy for urban market women. After a brief introduction to how microcredit works and its origins, I will place it in the context of a broader movement in world development policy known as neoliberalism and then re-focus on the specific aspects of microcredit which have been presented in academic literature. Next, I will introduce the results of my own field work in Bolivia where I interviewed people representing the various actors involved in microcredit lending. I will use this information first to describe the goals of microcredit, then the reality of the situation microcredit faces, and later, how and why theory and reality do not coincide. Finally, I will describe how microcredit has reduced the complex problem of
poverty and individualized its causes by implying that women alone can and should change their situation.

**How Microcredit Works**

The following section briefly describes how microcredit works. A great deal of diversity exists among lending agencies in their methodology, but the following tries to provide the reader with an overview of the general microcredit concept.

**Focus on Women**

Starting in the 1970s and strengthening in the 1980s, a new focus on women in development began to form and foreign donors began to require projects which targeted or included women. Ideas began to take hold which theorized that by improving a woman's income, she would improve her family's health, nutrition, and education while empowering herself, thus multiplying development efforts exponentially (Goetz and Gupta 1996: 46). Microcredit emerged as a strategy deemed particularly appropriate for women because it gave women the tools to potentially improve their income which would allow for the subsequent overall development mentioned above.

**Small Loans**

Non-governmental organizations (NGOs) and, more frequently, commercial banks give microcredit, or small loans, to poor clients. A majority of their clients are women but occasionally include men or families. The loans usually average less than $100 at first and must be repaid with interest within approximately eight weeks. Clients meet with the lending
institution once every two weeks to present their payment. After the client has demonstrated her ability to repay the loan on time without problems, she may renew her loan for a larger sum and sometimes a longer repayment period.

**Solidarity Groups**

One of the main barriers between the poor and credit has traditionally been the lack of collateral. Microcredit's innovative solution to this problem is the solidarity group. The solidarity group consists of an average of five women of their own choice who agree to guarantee each other's loans. If one woman cannot repay, the rest of the group assumes the responsibility and jeopardizes their own future credit if they do not fulfill the group's obligations.

**Training**

While training is not an inherent part of microcredit, many lending institutions offer or require training courses in conjunction with the loans. The courses range in topic from business to social issues. They take place prior to the loan disbursement, during the loan repayment meetings, or outside of the lending process.

**Financing**

Microcredit agencies are becoming increasingly financially sustainable as their practices become more efficient. The interest rates paid by clients are often high enough to cover operational costs, but may not be sufficient to

---

1 Because women constitute a majority of microcredit's clients, I will refer to clients in general with feminine pronouns.
cover the more expensive training costs. The training costs and initial start-up expenses can be financed by a variety of sources. International financial assistance contributes a considerable amount, as microcredit has been recognized as a worthwhile investment by large and influential agencies such as the United States Agency for International Development (USAID) and the World Bank. Financing may also come from international NGOs, supported by foundations, grants, and contributions. Microcredit lending institutions also receive money from individual donors or groups, other banks, and investors or shareholders.

The Origins of Microcredit: The Grameen Bank

In 1976, a man named Mohammed Yunis (commonly regarded as the originator of microcredit) loaned $30 to a group of poor women in Bangladesh. When he received repayment from all of them, he expanded his activities and proceeded to establish the Grameen Bank in 1983. Thus began all over the world the new development strategy known as microcredit based on the Grameen Bank model. The Grameen Bank has grown to encompass over 34,000 villages (Jain 1996: 79). It has loaned small amounts of money averaging $67 in 1992 (equaling half of clients' average annual income) at interest rates of 16%, in addition to a 25% surcharge paid to an insurance Emergency Fund and a 5% group tax (Smith 1994: 38; Jain 1996: 81). It has reached over two million people, more than 75% of whom are women, and all of whom own less than one half acre of land (Jain 1996: 79). By May of 1994, the cumulative loan disbursement for the Grameen Bank totaled over $1 billion, no small accomplishment for a country as poor as Bangladesh (Holcombe 1995: 38).
CHAPTER TWO: NEOLIBERALISM

In order to understand microcredit at the local level, we must first place it in the context of the broader policies of neoliberalism. By understanding this international economic (as well as social and political) shift, we can begin to understand why so many international figures and development workers support microcredit lending and how it serves to uphold the policies of neoliberalism.

The Neoliberal Model

Most countries in today's increasingly globalized economy have turned to the latest wave of economic development theory and practice, known as neoliberalism, in hopes of solving their centuries old problems of poverty. The United States, the International Monetary Fund, and the World Bank, also known as the "Washington Consensus," offer economic assistance based on neoliberal policies. Regardless of the sponsor or location of implementation, neoliberal policies emphasize the importance of free trade, privatization and limited government involvement in the economy.

The origins of neoliberalism date back to 18th century Britain, a time and place which gave birth to a new form of economic thought through such influential economists as Adam Smith (1723 - 1790). Smith is considered the father of liberal thinking in economics, an approach that is rooted in Smith's notion of liberty. Smith and today's neoliberal advocates place special emphasis on the individual. They believe that individuals will strive for personal gain and as a result, the society as a whole will progress. Neoliberalism emphasizes the market as a mechanism for the rational
allocation of labor and resources. The trading of goods and services at prices governed by supply and demand creates healthy competition forcing everyone to sink or swim. When faced with that choice, most will choose to swim (Collins and Lear 1995: 37).

The market translates individual self-interest into social good by allowing a group of people to meet their wants and needs collectively through specialization and comparative advantage. Individuals can produce one product for many people more efficiently than they can produce many products for themselves individually. Comparative advantage, in a textbook definition, "means that one nation (or individual) can produce a product relatively, not absolutely, more efficiently than another nation (or individual). Trade is expanded when nations (or individuals) produce products where they possess a relative or comparative advantage." (Riddell 1990: 493). By using the market and comparative advantage, a society will grow and prosper.

The freedom which is so fundamental to the United States Constitution is also important to the concept of neoliberalism. Individuals must have the freedom to pursue their own interests without intervention from an outside party, namely the government. Through the market, buyers and sellers gain freedom to conduct business with other buyers and sellers. They can receive fair prices based on market mechanisms rather than government imposition. According to neoliberal theory, everyone is equal in the marketplace, as the market does not discriminate, and no one has the ability to dominate or control the market mechanism (Collins and Lear 1995: 37).

Neoliberalists contend that government should play no role in the market and should only exist to cover areas which the private sector cannot
absorb (Collins and Lear 1995: 40). For example, the government should not assume the responsibility of its citizens' social welfare because that can be handled by individuals and private institutions, especially through the reproductive labor of women in the household. However, national defense or international negotiations require the organization of a recognized government.

Essentially, there are only two economic areas in which the government plays a role according to neoliberal thought. First, it assures that there are no barriers to a free market. For example, the government should take an active role in eliminating monopolies or oligarchies. Second, the government should assist the poorest of the poor who have somehow not been able to profit from free market policies. Clearly, their lack of success is either a result of economic problems of a previous government or a result of the failure of these individuals to take full advantage of market opportunities. The role of the government in these situations is to assist in furthering their use of the market. For example, the government should not give away apples to the poor but should provide the poor with monetary assistance to buy apples on the market, or should help the poor find work to earn money to buy apples, thus allowing those selling apples to benefit as well (Collins and Lear 1995: 40).

With regards to government involvement in businesses, neoliberals adamantly agree that government has no role. Government involvement in the form of subsidies, tariffs, taxes, etc. only lessens the productivity and competitiveness of business. Without free market pressures, businesses lack the incentive to perform. In fact, to encourage more productive businesses,

---

2 The lack of recognition for women's unpaid labor exemplifies the patriarchal expectations built in to the model.
not only should government remove itself from the market, but also, international businesses should enter. This heightens competition which increases creativity and efficiency, and allows businesses and countries to specialize in their comparative advantage (Collins and Lear 1995: 40).

These beliefs about how to structure economic relations in the most equitable of manners are at the heart of contemporary neoliberal policies. In relation to recent attempts by national governments to organize economic activity and to bypass or override market processes, neoliberalism includes the following policy recommendations (Baer and Maloney 1997: 314):

1. Fiscal adjustment. Fiscal adjustment includes reducing subsidies and tax reform. Many countries in Latin America ran budget deficits in the 1980s but by the early 1990s, through fiscal adjustment, they were able to work on surpluses.

2. Privatization. Many countries in Latin America owned and operated various industries, from petroleum and minerals to public utilities and banking. By the 1970s and 1980s, these state run enterprises were inefficient and losing money. By selling off the industries to domestic or foreign investors, neoliberal theory claimed that market forces would require the industries to increase efficiency and become more competitive.

3. Eliminating price controls and/or adjusting prices. Many countries in Latin America controlled prices in such areas as utilities, food, or industrial products. These price controls often led to inefficiencies requiring the government to subsidize failing markets. Under neoliberal policies, the market should regulate all prices, allowing for global competition and profitable businesses.

4. Liberating the financial sector. Lifting controls on areas of the financial sector such as interest rates and external capital flows frees money
for savings, a requirement for economic growth. For example, prior to the neoliberal economic reforms, Latin America controlled its financial sector by controlling interest rates which repressed its financial potential.

5. Trade liberalization. Because of the previous development efforts of Import Substitution Industrialization, many countries in Latin America built up high levels of protection for domestic industry. Neoliberalism encourages reducing or eliminating barriers to competition, yielding improved efficiency for businesses.

6. Incentives to foreign investments. For many countries in Latin America, poverty means very little "extra" money for investment. By encouraging foreign investment as a part of neoliberal reforms, capital flows into a country increase, allowing for a surplus of funds for investment and, as a result, development.

7. Social security reform. Social security constituted a major part of Latin America's debt. The social security system was government controlled and resulted in inefficiencies and mismanagement. By privatizing pensions under neoliberal reforms, many Latin American governments rid themselves of the financial burden of social security. Individuals benefited depending on the amount they invested.

8. Labor market reform. Neoliberalists believe that labor protection leads to labor's inability to compete in global markets. Therefore, they deem labor reform necessary for a healthy, competitive labor force.

**Neoliberal Policies in Practice**

In order to assess the validity of a theory, it is necessary to examine how it works in practice. Much of Latin America, including Bolivia,
implemented neoliberal policies on an extensive scale and has begun to feel the effects. The following discussion highlights the neoliberal adjustments and their effects.

Chile

In the past few decades, there have been two waves of neoliberal economic policy implementation in Latin America. The first began in the 1970s in the Southern Cone countries such as Chile and Argentina. Much has been written about Chile and what some characterize as its "success" with neoliberalism. For example, on December 6, 1990 on a visit to Chile, then US President George Bush proclaimed,

Chile has moved farther, faster than any other nation in South America toward real free-market reform. The payoff is evident to all: seven straight years of economic growth...you deserve your reputation as an economic model for other countries in the region and in the world. Your commitment to market-based solutions inspires the hemisphere (Collins and Lear 1995: 3).

Indeed, Chile's macroeconomic performance is enviable in many ways. Chile was the third fastest growing economy in the world in 1992 when it achieved an economic growth rate of over 10%. Inflation is low, and it boasts the highest rate of investment in Latin America, much of which comes from local savings (Green 1995: 54).

A close examination of the available data, however, reveals that some of the payoffs of the Chilean experience were not so positive. Unemployment averaged 20% between 1974 and 1987 (Collins and Lear 1995: 74). Poverty, defined by households earning a combined income of less than two times the cost of a minimum food basket, increased from 20% in 1970 to 41% in 1990.
Income inequality worsened with the top 20% increasing its percentage of income from 44.5% to 54.6% while the bottom 20% dropped from 7.6% to 4.4% (Richards 1997: 28). The foreign debt more than quadrupled, rising from $5 billion to $21 billion. Environmental degradation worsened, resulting in some of the worst urban air pollution in the world. Government health care expenditures dropped from $28 per capita in 1973 to $11 per capita in 1989 resulting in significant increases in typhoid fever and hepatitis A (Collins and Lear 1995: 7).

Labor reform in Chile and Argentina included four principles. First, it limited the worker's right to strike. Second, it made it easier for managers to replace striking workers with non-unionized workers. Third, it allowed workers the ability to refuse to be in a union. Finally, it allowed managers more power in creating rules and specifying job responsibilities. In combination with wage decreases, these labor reforms succeeded in dismantling existing labor organizations and in discouraging the formation of new ones. (Rosenfeld and Marre 1996; Richards 1997: 24). Prior to the implementation of neoliberal reforms, in 1973, 35% of Chile's work force was unionized. The government dissolved almost all unions shortly after they implemented reforms. By 1987, after a series of labor reforms, only 11% of the working population participated in unions (Collins and Lear 1995: 69, 71, 80).

Looking beyond the direct ramifications of neoliberal policies, one of the most important factors to consider are the conditions under which the policies were implemented and carried out. "Neoliberal reforms suggest that the only way for Latin American nations to succeed is to do away with some of the formalities of democracy" (Gamarra 1994: 8). This waiving of individual liberties is interesting when one considers that neoliberalism is based upon

---

3 In 1970, 42.7% of the national income went to wages. By 1993, it had dropped to 33.9%.
the individual and the freeing of one from interference by the state so s/he can succeed to her/his greatest potential.

Bolivia

The second wave of neoliberal reforms began in the 1980s in the Andean region, including Bolivia. It is important to understand the context in which neoliberal policies emerged to understand why they persisted.

Bolivia has a long history of political turmoil. The 1970s were no exception. A strong, centralized, military regime under the direction of General Hugo Banzer (1971 - 1978) held power. The state played a significant and expanding role in the economy in terms of investment, consumption and regulation. It targeted and benefited some sectors of the economy while hurting others. For example, the state invested millions of dollars into the Santa Cruz area in the previously undeveloped tropical lowlands on the edge of the rain forest, where investors began realizing the economic benefits of the rich environment. However, the government also imposed heavy taxes on the mining sector where organized labor had begun to make gains. This move began a rise in anti-statist sentiment among targeted business owners specifically, but also the business community in general who wanted to free themselves of government interference (through taxes, etc.) which restricted their profit potential (Conaghan et. al. 1990: 6).

By the late 1970s, Bolivia was suffering from serious economic problems. The problems were a result of "troubles in the export sector, a burdensome foreign debt, uncontrolled government spending, and the retreat of domestic and international capital" (Conaghan and Malloy 1994: 106). The business sector began to turn toward a civilian democracy, as opposed to military dictatorships, as a solution to their economic problems caused by
government regulation. They wanted the stability and accountability supposedly found in elected governments and the economic freedom they had been deprived of by the Banzer dictatorships. At the same time, the IMF and World Bank began to encourage exports and a decentralized state rather than import substitution. In 1985, Bolivians elected Víctor Paz Estenssoro (1985 - 1988) into office, embracing his alternative neoliberal policies in hopes of greater economic benefits.

The elections took place in the middle of an economic crisis. Inflation reached almost 12,000% in 1985, growth rates were negative and salaries dropped (Dunkerley 1992: 246). Strikes, business lockouts, and protests became commonplace occurrences. The crisis resulted from structural problems, such as Bolivia's dependence on mineral exports and decreasing international prices as well as a huge foreign debt, increases in wages, and money management problems by the Siles Zuazo government (Conaghan et. al. 1990: 18). The population was desperate for change. They took their demands to the polls.

Paz Estenssoro wasted no time in taking action by implementing radical neoliberal policies. By the end of August in 1985, under pressure from the IMF to implement structural adjustment, he introduced Decree 21060, a shock treatment ingrained in the minds of Bolivians as "veintiuno zero sesenta" (Dunkerley 1992: 209).

The New Economic Policy began with short term actions to halt the economic crisis and then continued with more long-term policies. In the short term, Bolivia devalued its currency. After three months of stability, the exchange rate doubled, prompting the government to stabilize the exchange rate with international reserves. Hyperinflation halted and the neoliberal policy achieved its immediate goal.
Next, Bolivia liberalized trade by lifting restrictions on imports. It also implemented a flat 20% tax on all imports, an interesting deviation from neoliberal theory which encourages the complete disintegration of barriers to trade, such as import taxes. The influx of foreign competition kept prices stable and the uniform tax signaled Bolivia as credit-worthy since it portrayed the image of a country with its economy under control by an effective government.

After liberalizing trade, Bolivia aimed to cut its deficit. It froze salaries for public workers, and reduced its expenditures and investment. The cuts began with a reduction in wages for public employees, then workers in general. Gasoline prices increased as the government added a gasoline tax to raise revenues. These reforms clearly hit the poor hardest. They depended on the government for wages as public employees. In addition, higher gas taxes meant higher transportation costs which cut into their limited budgets.

For the long term, Bolivia tried to cut government spending and increase taxes. To accomplish these goals, the government cut public jobs and added a value added tax (Pastor 1994: 356). Approximately 45,000 people have lost jobs in mining and public administration since 1985. An additional 35,000 people have lost jobs due to factories closed as a result of relaxed import restrictions (Farthing 1995: 142).

To summarize the stabilization measures, Bolivia implemented neoliberal policies such as freezing salaries, significantly reducing the budget, imposing a uniform tariff, restructuring the public sector, devaluing the currency, and lifting barriers to international trade.
Effects of Bolivia’s Neoliberal Policies

The New Economic Policy produced significant effects. Bolivia’s budget for 1986 showed the government's new priorities: 36.5% for the foreign debt, 22.3% for defense, 11% for education, 1.9% for health, and 28.3% for miscellaneous expenses (CEDOIN 1986: 1).

Unemployment rose, from 15.5% in 1984 to 20% in 1986 (Pastor 1994: 356). Thereafter, between 1986 and 1992, the government closed all state-owned mines forcing 30,000 miners and their families out of work and on to the streets (Gill 1997: 293). In COMIBOL, the state mining corporation, over 75% of the miners lost their jobs between 1985 and 1987 (Pastor 1994: 356). With the closing of the mines went the housing, schools, health care, and food formerly available through the government for miners.

With unemployment rising steadily and few new employment opportunities emerging, the cocaine industry became a viable alternative for many of the unemployed (Gill 1997: 299). Other people without work moved to the cities, where they crowded in with relatives or constructed shacks in one of the growing urban shantytowns. Some of the newly unemployed attempted to continue in mining by forming mining cooperatives. Others returned to their home communities in the countryside, adding to the burden of low rural income and high unemployment. Still others left the country altogether. Whatever they chose, replacement work was hard to come by due to the fact that miners had reputations of being militant and well organized (Gill 1997: 299).

Limited employment opportunities for the men forced more and more women into the labor force to survive. Because of their lack of skills or training for high paying jobs, many women became a part of the informal sector, selling their labor as domestic servants or selling goods on the side of
the road or in the markets. During the 1980s and into the 1990s, the informal sector grew to encompass 60% of the population (Farthing 1995: 143).

The growth of the informal sector as a result of the neoliberal policies imposes on women the "double day" where they are still accountable for their former household responsibilities but have the additional burden of providing financial resources for the family in the context of decreasing wages, cuts in food subsidies, and increasing prices. Indeed, many of the workers receiving low wages in Latin America as a whole are women. It is also increasingly common for women to become heads of households as men lose their jobs from neoliberal policies (Tanski 1994: 1628). Despite their increasing responsibilities in a climate of shrinking possibilities, however, women face an inherent male bias in the labor market. As men are driven from the ranks of stable, well-paying jobs, they begin to compete with women for work in the informal sector. In many instances, men are preferred. In addition, because women's work is considered supplementary to men's, they can generally be paid less than men. Furthermore, women's unpaid work in the household is not considered as work, so their contribution to the economy is not fully valued. Ultimately, women's labor subsidizes the labor costs of capital (Scott 1995: 107).

One of the most important effects of The New Economic Policy for miners came in the form of deteriorating social relationships. While in the mines, workers developed strong ties of solidarity by engaging in collective bargaining for better working conditions or increased pay. On their own as individuals competing in the informal sector, however, ties broke down as the focus shifted from collective achievement to individual survival, and from men to women.
Women...sit side by side for hours, selling identical products and earning, by the end of the day, very little...Genoveva Villarroel, the leader of an organization representing street vendors in one part of the city, explains that her job primarily involves the mediation of disputes between women. These fights, she says, "are usually about jealousy, because one person sells more than the other" (Gill 1997: 301).

Another major consequence of the implementation of neoliberal policies concerns NGOs. Because neoliberal policies required the state to withdraw from many arenas of social service, it left a vacuum that was filled by NGOs. These organizations took control of provisioning key necessities upon which the well-being of the population depended, such as jobs, social services, food, and credit. For example, in 1990 the NGO ProMujer established itself as a credit organization dedicated to women which, after a training period for recipients, gives small loans to keep women and their families afloat. NGOs distribute their resources through local organizations such as mother's clubs or neighborhood organizations. The NGOs' control over people's basic needs creates clientelistic relationships not only on a local level but also internationally due to NGOs' connections with and dependency on international financial support (Gill 1997: 307). The emergence of these "vertical" relationships further contributes to the disintegration of strong social ties among the working class.

In her recent article "Relocating Class: Ex-Miners and Neo-liberalism in Bolivia," Lesley Gill describes the role NGOs play in facilitating neoliberalism. Because they are a source of scarce credit to those in difficult economic circumstances, NGOs support the growth of "microenterprise," which consists mainly of street vendors and artisans. NGOs are able to guarantee high
restitution rates through "solidarity groups," which, Gill argues, furthers the deterioration of social networks.

Solidarity thus becomes synonymous with debt repayment, and social relationships within the individual groups are frequently strained by the resentment and hostility directed at those who fail to make timely payments. More generally, differences between the poor and the truly destitute are reinforced, and freedom comes to mean having as much money as possible in your pocket (Gill 1997: 306).

In sum, despite the stabilizing effects of Bolivia's neoliberal policies, their negative fallout includes the loss of jobs and rights for the working class, the additional burden of economic survival for women, the deterioration of social ties, the increased dependency by the poor on NGOs and international donors, and both domestic and international migration.

How did the Paz Estenssoro government push through neoliberal reforms without popular uprisings if the effects were so negative? Despite opposition from prominent and powerful organizations such as the Center of Bolivian Workers (COB), civic committees in cities such as Oruro and Potosí, and the Catholic Church, Paz Estenssoro was able to implement his New Economic Policy (Nash 1992: 177).

First, the Bolivian government had evolved into a highly centralized state placing extensive power in the executive branch while weakening the legislative branch. Laws crucial to the neoliberal reforms such as limiting minimum wage increases, encouraging foreign investment and deregulating exchange and interest rates were all executive decisions (Conaghan et. al. 1990: 20).
In addition, popular opposition met with considerable physical repression. In August of 1985 following Decree 21060, Paz Estenssoro declared a "state of siege" in which he placed leaders of the COB, the largest workers organization in the country, under internal exile (Conaghan et. al. 1990: 25). In all, the government confined 30 union leaders and internally exiled another 145 (Pastor 1994: 356).

In 1986, thousands of miners, housewives, peasants, schoolteachers, and students gathered to protest the neoliberal reforms made by the Paz Estenssoro government. They began the "March for Life," a march from Oruro to La Paz which would passively but powerfully portray deteriorating situations brought about by the New Economic Policy. Repression began immediately as the army showed up in Oruro throwing tear gas and firing rubber bullets (Nash 1992: 278).

Another move by the government which prevented popular uprising was severance pay to miners who had lost their jobs. While it still was not a steady job, it did smooth the transition to unemployment (Conaghan et. al. 1990: 25).

Finally, an unintended consequence of the neoliberal policies which prevented protest was the growth of the informal sector. It absorbed the masses affected by the policies allowing for some economic survival (Conaghan et. al. 1990: 26). One might argue, on this basis, that the informal sector has come to occupy a singularly strategic role in the Bolivian neoliberal economy.

While neoliberal policies are not meant to exacerbate the hardships facing the poor, the devastating effects which result cannot be ignored, especially when the policies are used as a development tool. The effects
permeate all aspects of society, transforming social relations and creating new needs that must be addressed. One must be conscious of how national and international development policy affects the majority of a country’s individuals. A nation is built on individuals working together.

The creation of an enormous informal sector and the growth of NGOs as a result of neoliberal policies has fostered the growth of microcredit lending, especially to women who have felt the greatest impact of neoliberalism. How has neoliberal policy and ideology, in the specific form of microcredit programs, transformed the lives of Bolivian women who work in the informal sector? How have these policies been conveyed in training programs? What role have NGOs played in implementing these changes? My own field research will begin to answer these questions. First though, I will examine the limited number of studies completed by scholars on microcredit and its impact.
CHAPTER THREE: MICROCREDIT LITERATURE REVIEW

There are currently very few credible academic studies concerning microcredit and its impact on borrowers and lenders. As a result, the discussion that follows must be viewed as preliminary in nature. Most of the literature focuses on the Grameen Bank in Bangladesh, due to its position as originator of microcredit and model for many other microcredit programs around the world. The following studies are all on the Grameen Bank.

Anne Marie Goetz and Rina Sen Gupta: "Who Takes the Credit? Gender, Power, and Control Over Loan Use in Rural Credit Programs in Bangladesh." 1996.

Goetz and Gupta focused their study on women in microcredit. They stated that women are a main target in microcredit lending particularly because they demonstrate much higher repayment rates than men. Many believe that while men may spend loan money on drinking or gambling, a woman will be more productive with the money out of a sense of responsibility for her family. Microcredit therefore "reinforces traditional cultural notions of womanhood, with women seen as moral guardians of the household and policers of recalcitrant men" (Goetz and Gupta 1996: 55).

Women also can be more vulnerable and intimidated into repayment, according to Goetz and Gupta, as well as easier to find than men who have the ability to avoid collectors (Goetz and Gupta 1996: 55). Since women often assume household responsibilities, they remain in one location, while men without family responsibilities can "disappear."
Goetz and Gupta carried out a study which measured women's control over their loans. While women receive the loan and are responsible for its repayment, the actual loan may be used for another person's business or pleasure, such as a husband or uncle or brother. This clearly negates the claim that they are helping women and ultimately exacerbates gender inequality in power relations. Goetz and Gupta found that in a study of 253 women, only 17.8% of the women maintained full control over their loans. 19.4% held significant control, 24.1% held partial control, 17% held very limited control and 21.7% had no control over their loans (Goetz and Gupta 1996: 49).

There are circumstances or characteristics of women which allow them greater autonomy with their credit. For example, women in the study maintained control over their loans more often when they were widowed, separated or divorced, since they had fewer responsibilities to men; when they worked in traditional women's work such as raising cattle or poultry, since men were not involved in that area of work; when they received smaller loans, since women had less to give away; or when they had been a loan recipient for many years (Goetz and Gupta 1996: 50-52).

---

4 Control levels are defined as follows: FULL= full control over the entire productive process, including marketing. SIGNIFICANT= control over every aspect of the productive process with the sole exception of marketing. PARTIAL= loss of managerial control over the productive process, but the provision of substantial inputs of labor. VERY LIMITED= minimal input to the production process, for example, small labor contributions. NO INVOLVEMENT= these were the cases where women provided no labor for activities which are culturally ascribed as masculine, and had not managerial involvement, or cases where women stated that they did not know how their men had used their money.
Helen Todd: *Women at the Center: Grameen Bank Borrowers After One Decade*, 1996.

The Grameen Bank requires of its clients a specific way of life as contextualized in the "16 Decisions" (see Appendix I). The 16 Decisions, which clients are required to memorize and are tested on before receiving a loan, include statements such as "3- We shall not live in dilapidated houses. 6- We shall plan to keep our families small. 15- If we come to know of any breach of discipline in any center, we shall all go there and help restore discipline. 16- We shall introduce physical exercise in all our centers." (Bornstein 1996: 97).

While clients have to memorize the 16 Decisions, they apparently do not have to practice them. In her study, Helen Todd surveyed the implementation of the 16 Decisions, using 24 Grameen Bank borrowers and a group of 16 non-borrowers as a control. The results are as follows:

<table>
<thead>
<tr>
<th>Action</th>
<th>Grameen Bank</th>
<th>Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drinking Tube-Well Water</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Using Sanitary Latrines</td>
<td>21%</td>
<td>0%</td>
</tr>
<tr>
<td>Growing Vine Vegetables</td>
<td>96%</td>
<td>63%</td>
</tr>
<tr>
<td>Growing Field Vegetables</td>
<td>50%</td>
<td>6%</td>
</tr>
<tr>
<td>Practicing Family Planning</td>
<td>78%</td>
<td>85%</td>
</tr>
<tr>
<td>Children Immunized</td>
<td>85%</td>
<td>65%</td>
</tr>
<tr>
<td>Average Number of Trees Planted</td>
<td>11</td>
<td>3</td>
</tr>
</tbody>
</table>

(Todd 1996: 192)

Todd measured client participation in specific actions required by the 16 Decisions and discovered that in some cases, the Grameen Bank borrowers may carry out the decisions more than non-borrowers, but many still do not have to implement the decisions in their lives in order to continue receiving loans.
Todd also studied how women repay interest rates to the bank. Todd surveyed 39 borrowers and found that 25 of the 39 women surveyed had to borrow money to pay all or part of the interest on their Grameen Bank loan. 53.6% borrowed from relatives, 21.4% borrowed from moneylenders, 17.9% borrowed from neighbors, and 7.1% borrowed from center members (Todd 1996: 165).


Smith wrote more about the success of the Bank itself rather than the success of the clients. Both Smith and Susan Holcombe (Managing to Empower) attribute the success of the bank to its management practices. To continue promoting the Bank and expanding it, Grameen Bank representatives travel out into the field, recruiting eligible recipients who often cannot read or write (Smith 1994: 38). To encourage productive performance by employees, the Grameen Bank offers promotions and benefits for successful recruiting (Smith 1994: 44). The Bank encourages area managers to look for solutions to problems, aiming to empower employees by giving them the freedom to implement solutions. For example, some area managers have begun programs to increase the access of vaccines for cows, promote fire prevention, and give loans to children.

He wanted both to give children access to small credit that would allow them to generate income, but also to introduce them to the discipline of repayment and saving (Holcombe 1995: 85).

---

5 High interest rates of 4% per month in many Bolivian microcredit lending organizations are justified by claiming the organizations' administrative costs (Scully 1997b: 16).
Since children are often directly linked to the income of families through their contribution to farm work or other family employment, granting them the opportunity to also obtain loan money seemed logical. If the Grameen Bank proved that the poor are creditworthy, why not extend its "benefits" to children?

Smith also addressed the issue of alternative sources of credit. Many advocates of microcredit justify high interest rates by claiming that entrepreneurs have no alternative form of credit other than loan sharks who charge outrageous interest rates with risky collateral. In Bangladesh, however, the Grameen Bank estimates that only one fifth of the population ever makes use of the loan sharks while two thirds of the population can obtain loans from friends or relatives with little to no interest (Smith 1994: 39).


One of the most amazing features of microcredit is the low default rate. The Grameen Bank boasts an amazing 98% repayment rate, more than twice the country's average of 30% to 40% repayment (Smith 1994: 40).

Pankaj S. Jain, after studying the Grameen Bank, attributes the low default rate to the organizational policies of the bank. These included, for example, bank workers visiting the houses of those recipients who failed to pay the day before, training bank employees so that they "became so engrossed in the branch-level operations that they internalized the norms which became part of their personal value system," and instilling a sense of
discipline in clients by having the loan recipients salute at center meetings before and after they spoke. Jain found that, in practice, the Grameen Bank did not adhere to its policies regarding group collateral and that in fact it regularly allowed group members to obtain new loans despite other group members default (Jain 1996: 83, 84, 87).
CHAPTER FOUR: METHODOLOGY

I became interested in microcredit while participating in a semester-long study abroad program in Bolivia. Throughout the semester, I heard microcredit mentioned in passing as an outstanding success and the solution to poverty. Finally, I thought, after years of studying development, I have found the answer to the problems of the poor.

To learn more about the development miracle, I chose microcredit as my topic for a month long independent study project required by the program. I began talking with people, organizations, clients, critics and supporters and it did not take me long to discover that microcredit involved issues far more complex than the simple success stories I had previously been led to believe.

During the month long independent study project, I obtained a solid introduction to microcredit. Wanting to expand my own understanding of the issue, I chose to take on the topic for my senior year honors thesis.

In September, Colby offered me the opportunity to return to Bolivia for further field research via a grant from the Ford Foundation. I accepted the offer and spent Jan Plan interviewing, observing, and participating in various aspects of microcredit in the cities of La Paz and El Alto.

La Paz and El Alto rest high in the Andes Mountains. La Paz, which now serves as the second capitol of Bolivia, grew out of a valley surrounded by the altiplano- a vast area of flat, cold and barren land. La Paz grew rapidly up the sides of the valley and spilled onto the altiplano. The altiplano settlement continued to grow and eventually separated from La Paz to form its own city, El Alto. El Alto continues to be plagued by desperate poverty, a lack of basic sanitation and water facilities, and growth in crime.
In order to effectively evaluate microcredit, I chose to interview various actors involved in microcredit, as described below.

**USAID**

Comfortably situated in a more wealthy area of La Paz, USAID/Bolivia allows visitors a taste of the United States. Green grass and trees surround the modern building and the inside offers functioning e-mail, telephones, and faxes, with carpeted offices and air conditioning. After an extensive security check which resulted in the confiscation of my tape recorder, I spoke with John Owens, the microfinance specialist for Bolivia.

USAID handles much of the international funding for microcredit organizations in Bolivia. The World Bank, which finances microcredit in many other countries, remains removed from the process allowing USAID to cover the sphere of bi-lateral and multi-lateral lending and donations. In order to gain a more complete understanding of the microcredit process, I included USAID in the interviewing process. I hoped to gain clarification in what role they play as a representation of the international community, how they determine the direction of microcredit lending, as well as what motives they have and benefits they acquire by promoting this type of development.

Mr. Owens happily talked with me about the unending benefits of microcredit. Much of what he stated appealed to common sense and fit nicely into a simplistic model of how microcredit works. Women receive loans, they invest it in their businesses, their businesses and income grow, and they pull themselves out of poverty. Their growing businesses create new jobs for the unemployed and the whole country benefits as a result.
Mr. Owens generously offered to copy information about the policies and procedures of USAID/Bolivia with regard to microcredit. What I really wanted, however, were studies which supported his claims and described the impact of microcredit on the recipients. When I asked him for impact studies, he handed me a study from Ohio State which evaluated the organizations in terms of outreach and sustainability. He could not produce any studies which evaluated the impact of microcredit on the recipients themselves.

**BancoSol**

I chose to include BancoSol in my study for a number of reasons. First, it is a commercial bank with a profit motive unlike the NGOs. It became the first commercial bank in Bolivia to offer microcredit and has proven to be a stunning example of "success." By offering solely microcredit, BancoSol became the most profitable bank in Bolivia and captured the most number of clients of any bank in the country. Especially important for my study was the general occupation of the clientele. Seventy percent of the clients are female market vendors.

My connection to BancoSol came from my host sister who worked as a cashier in the main Cochabamba bank. The regional manager of the Cochabamba branch was a host family friend and introduced me to various employees. With his connection, I had the complete cooperation of the bank staff who graciously took the time to answer my questions, locate information, and allowed me to shadow their day-to-day activities.

Wondering what success I could have obtained without a personal connection, I entered the La Paz headquarters of BancoSol, explained my
Missing from the Miracle

project, and asked to interview people and acquire information. The secretary immediately rejected my request, telling me I needed to present my proposal in writing and I could receive an answer in a few weeks. I explained I only had a week in the city and continued to request permission to speak to a manager. I talked to three managers, all of whom told me the same thing—they could not give me any information.

Centro de Fomento a Iniciativas Económicas (FIE)⁶

I chose to include FIE in my study because of their position as one of the most successful (i.e. most profitable) microcredit lending organizations in Bolivia. My contact, Gilla Nina, introduced me to María Victoria Rojas de Schulze, the regional director for El Alto and Gilla Nina's former student. This personal connection allowed me immediate attention which had been difficult to obtain in other organizations. María generously offered to assist me in my study in any way she could. She introduced me to all of the employees, quickly gathered information I requested, offered to send me with the employees during their business checks, and gave me her address and e-mail for further contact if I had any additional questions while in the United States.

FIE began offering credit in 1988, receiving funding from well-known organizations such as the Interamerican Development Bank, Oxfam America, Catholic Relief Services and the International Labor Organization (see Appendix II). By the end of 1997, FIE operated 14 offices throughout Bolivia and had dispersed a total of almost 88,000 loans worth more than 58 million

⁶ Center for the Promotion of Economic Initiatives. All translations are made by the author.
dollars since 1988, these numbers growing every year (FIE November 1997: 13).

FIE boasts about the number of women they involve in lending. In all, 60% of FIE's clients are women. Almost all of FIE's commercial loans are held by women while women act as co-signatories for 95% of the production loans offered by FIE (FIE November 1997: 8). Commercial loans are for businesses such as vending, where the client theoretically uses the loan to buy more goods to sell. Production loans are for businesses such as furniture making, where the client creates goods and theoretically needs the loan to buy materials. 55% of FIE's loans are used for production while 43% are used for commercial businesses (FIE November 1997: 16).

Commercial loans in many other lending agencies, such as BancoSol and ProMujer, make up the majority of the loans and target a poorer economic sector. FIE, however, caters to a somewhat higher class of clients, as indicated by the larger size of loans available, and offers both individual loans and loans with a solidarity group guarantee.

**Freedom from Hunger**

I chose to include Freedom from Hunger in my study because of its position as an international NGO which finances microcredit around the world. They receive their own funding from United States donations, foundations, and grants and then use the money to fund projects abroad (see Appendix III). My interest in Freedom from Hunger stemmed more from the nature of the organization rather than the CRECER program it finances in Bolivia. Although CRECER's headquarters is in La Paz, it targets rural agricultural workers for loans. This focus did not coincide with my focus on
urban market women. Therefore, I did not carry out any field work in Bolivia directly relating to Freedom from Hunger.

I discovered Freedom from Hunger on the internet where its extensive web sites describe its programs and allow the viewer to easily send for more information. I specifically requested the impact studies Freedom from Hunger uses to support their claims of widespread success, but I only received a paper completed by a Freedom from Hunger representative on a project in Ghana.

**ProMujer**

I chose to include the NGO ProMujer in my study because of its emphasis on combining training with loans and also its emphasis on women. I found it interesting to examine and analyze how microcredit is being used as a means for ends other than simple business growth. In addition, ProMujer allowed me to examine what kind of images training programs generate of the "proper woman" in Bolivia and what are some of the inherent cultural assumptions about women's role in society as well as the simplistic beliefs about the causes of poverty.

Lynne Patterson and Carmen Velasco founded ProMujer in 1990 in La Paz. It has since expanded to encompass four regional offices across Bolivia. ProMujer was founded on the innovative idea of solidarity groups. Clients form groups of approximately four to six women who serve as collateral for each other's loans. If one woman fails to pay, the other women must pay for her. With this idea, banks and organizations have found a way to capture a market of borrowers previously unavailable to them as well as to transfer the
responsibility of loan collection from the lending institution to the women themselves.

The ProMujer program consists of two sections. The first section, lasting two weeks, consists of training covering the topics of self-esteem, basic business skills, and how the system of communal associations works at ProMujer. The women and a limited number of men attend class every weekday for two weeks from 12 - 2 in the afternoon. The training sessions are a requirement for all clients who wish to receive loans.

The second section of the ProMujer program begins when women receive loans. Poor women who previously had no access to credit because of their lack of collateral are now able to borrow. Initially they can obtain from $50 to $100, and assuming their previous credit repayment presented no problems, they can continue to increase this amount with subsequent loans totaling as much as $600. Women meet to pay installments on their loans every week, every 15 days, or every month, depending upon which type of payment plan their group chooses. Education does not stop with the first section of the ProMujer program. The training continues in the second section covering topics such as health and child development.

The costs of the training are covered to a large extent through donations by various organizations and agencies, including USAID (see Appendix IV). The remaining costs are passed along to the women in the form of an interest rate of 4% per month. In addition, the women are required to save 20% of the loan amount during the first three loans, and 10% during each loan after the first three. Furthermore, the group must pay a fine of 20 Bs. ($4) if they fail to pay on time.

---

7 Potencializacion, Destrezas Basicas, y Asociaciones Comunales.
8 Defensa de la Salud y Desarrollo del Niño.
I encountered numerous problems trying to work with ProMujer. Before arriving in La Paz, I e-mailed Carmen Velasco, the director, explaining myself, my project, and what I hoped to observe in ProMujer. After receiving no response, I decided to call when I arrived in Bolivia. After the secretary asked me to call back several times because Ms. Velasco was not available, she eventually granted me a brief phone conversation with her. I explained my situation and my request to observe their training classes. She responded to me by asking me to write out a proposal, deliver the written statement the next day and call again the next week. My time constraint did not seem of importance to her. After two weeks of wasted time, I met with Ms. Velasco for approximately ten minutes, where I had to explain my situation again, and she gave me the option of observing training on one of three days.

I arrived in El Alto on the chosen day and the woman I was supposed to work with handed me off to another woman, Octavia, who carried out training in a different part of El Alto. After interviewing her (see Appendix V) and observing the training, I asked if I could copy the training manuals they use. Octavia claimed that she did not have any copies. When the first woman arrived to meet with Octavia, I asked to copy her manuals and she adamantly claimed that ProMujer does not let anyone outside of the organization have the manuals since they do not know who (i.e. other microcredit organizations) would have access to them and what they would do with them (i.e. use them in their own programs).

Determined to obtain a copy of the manuals, I called Ms. Velasco (several times) who told me to come to her office and she would see what she could do. When I arrived, she told me that the manuals were already being copied down the street and I could just ask them to make another copy. After waiting close to two hours, the copies were ready and I returned to my hostel.
It was there that I realized that the copies were the teachers manuals, not the client manuals. I returned to ProMujer the next day, explained the situation, and asked for the client's manuals. They only had two of the five client manuals, a surprising discovery since it was the ProMujer headquarters for the country. I offered to return to El Alto the next day to copy their manuals and Ms. Velasco assured me that she would call there to inform them that I had permission to copy the necessary materials.

Ms. Velasco did not call. I walked into the office, explained the situation to the director, and she asked me to have a seat. After 45 minutes, she finally looked up from her computer screen and asked the secretary sitting next to her to find the manuals for me.

While the secretary tried to find all of the manuals, another employee claimed there were no manuals. Shortly thereafter, the secretary returned with two of the three manuals I needed. No one could find the last one until another employee entered and informed the rest of the group where they kept the manuals. Meanwhile, I had passed two hours sitting in a chair in the office watching them half-heartedly try to find manuals which they use every day. I finally took the manuals to a copy stand and returned after another 45 minutes. As I left, the director smiled and commented, "If you need any more help, let us know!" I just laughed.

**Clients**

I focused much of my research on talking with women who have received microcredit. They are the reason for microcredit but have somehow been left out of the evaluation aspect of microcredit lending. So as to avoid bias or influence in their response and information, I worked through a
neutral contact to find interviewees. My contact, Gilla Nina, worked as a university professor and social worker in addition to volunteering as the leader of an organization named FATRAVI (from the words "Family, Work, Housing"). The organization helps build approximately five homes per year in a community on the outskirts of El Alto. FATRAVI provides long term interest-free loans to pay for the costs of building a home while the recipient family supervises the planning and actual construction.

My hope in working through Gilla Nina was that microcredit recipients would more willingly provide me with all aspects of their experience, rather than just the positive ones. I knew this would be difficult information to obtain if the recipients believed I had some connection to their lending agency. I believe working through Gilla Nina accomplished this goal.

I interviewed six clients who I met through Gilla Nina. (see Appendix VI). Their participation in my study proved to be the most important aspect of my field research because I was able to obtain a perspective which was lacking in the literature.

I had varying degrees of success in the interviews. For many of the interviews, I discovered that my questions had to be specific. For example, I could not ask "what are your expenses?" I had to ask "how much do you pay per month on housing? on food? on transportation?" By using specific questions, most women chatted freely with me about their household economy, including expenses, income, etc. Since many people in the United States do not feel comfortable talking about personal finance, I expected that I would have trouble learning the financial information which would allow

9 Familia, Trabajo, Vivienda.
me to place the significance of the loans in perspective. This expectation proved not to be the case.

I discovered that the location of the interview made a difference in the amount of information I received. I interviewed one woman while she sold her goods in a busy plaza in downtown La Paz. She actively sold her goods throughout the interview, calling out to people, making sales, and answering my questions on the side. I did not have her full attention and as a result, her answers often consisted of no more than a couple of words. Any elaboration on her answers came from me asking more and more questions. Other client interviews took place in their homes. Those clients welcomed me, talked freely, showed me their work, and gave me all the attention and time I desired. It allowed me to see the living conditions of the clients which also allowed me to place the impact of microcredit in perspective. Finally, I interviewed three clients jointly in the home of a common neighbor (who I met through Gilla Nina). Interviewing three people at once had both positive and negative results. It did not allow me to focus specifically on one individual. I found in previous interviews that the ability to concentrate on only one person allowed me to elaborate on certain points and gain more complete information. The group interview resulted in a less complete data set for the individual clients. It did, however, bring out some points which may not have surfaced otherwise.

Limitations of Study

My field work in Bolivia clearly does not serve as a comprehensive study of all microcredit recipients, organizations, training programs, donors, etc. I chose representatives of each which hindered the scope of my study but
allowed for a broad overview of the issues and problems involved. My study, then, should not be used to formulate firm conclusions about microcredit. Instead, it should serve as a tool to begin questioning the accepted belief of microcredit's success. It should introduce readers to the complex issues involved and the problems which arise when trying to address them. Ultimately, it should reinforce the idea that nothing is ever as simple as it seems.
CHAPTER FIVE: THE THEORY

In this chapter I will begin to unravel the microcredit myth as a development strategy focusing on women. In order to evaluate microcredit effectively, I will first discuss the goals and objectives that microcredit lending agencies use in defining their work. In doing so, it must be recognized that each lending agency is unique in practice, size, targeted clientele, loan size, accountability, etc. Therefore, I will examine how different microcredit organizations depict their goals and objectives to the public using four examples: United States Agency for International Development (USAID), a United States government institution and a significant international donor to microcredit agencies in Bolivia; Banco Solidario S.A. (BancoSol), the first and most successful for-profit commercial bank offering exclusively microcredit in Bolivia, Centro de Fomento a Iniciativas Económicas (FIE), a Bolivian NGO which has become one of Bolivia's most "successful" microcredit lending agencies; and Freedom from Hunger, a United States based non-profit organization and international sponsor to Bolivia's Crédito con Educación Rural (CRECER) microcredit lending program and to other programs around the world. Subsequently, I will examine how microcredit organizations depict their goals and objectives to their clients and also what they view as some of the primary causes of poverty, using the example of ProMujer. ProMujer is a Bolivian NGO that combines loans with grassroots training directed almost exclusively at women. These organizations represent the broad types of institutions involved in microcredit in Bolivia.

Once I have explained the goals and objectives of microcredit, in chapter six I will examine the reality of microcredit lending in Bolivia on several levels. First, I will describe how USAID dominates in international
donations and therefore influences the direction of microcredit lending in Bolivia. Next, I will describe the visible effects of BancoSol's success. Later, I will describe the lending practices of FIE and the training program of ProMujer in order to demonstrate how the process of microcredit really functions. Finally, I will discuss my interviews with six microcredit recipients to provide a prospective on the lives of the people who are supposed to be most positively affected by the loans. It is the experiences of individuals such as these that are often overlooked when evaluating microcredit.

After examining the reality of microcredit in Bolivia, there will be a sufficient base upon which to evaluate its effectiveness. In chapter seven, combining the goals of microcredit with the actual effects, it will be determined how microcredit and its focus on women is working in Bolivia today.

PUBLIC OBJECTIVES

USAID

USAID holds an important position in the development of microcredit in Bolivia. It controls much of the international multilateral and bilateral lending and donations to microcredit and can choose which organizations within Bolivia receive money for loans. As a bilateral donor, USAID's audience is the international community and more specifically, the United States Congress which funds them. When they "sell" microcredit, they must ensure the message is what the American population wants to hear.
Their message begins with the usual goals of development: expand job opportunities and reduce poverty. This goal targets the more emotional side of their audience who want to feel good about spending their money on other people. USAID can draw on the public moral discourse which argues that people can and should take care of themselves. In relation to this discourse, many Americans view the expansion of job opportunities as an ideal form of development in that it helps people help themselves. An example of the same concept exists in the United States regarding welfare reform. The public discourse consists of people demanding programs which require recipients to hold a job, thereby assuming the problem of poverty derives from people not working. USAID appears to believe that goal. By appealing to the sentiment of United States citizens with a discourse which says they are helping the expansion of job opportunities to reduce poverty, USAID will be more effective in seeking to secure the necessary funding to continue their microcredit programs. To date, USAID has been very successful in its efforts to secure funds.

USAID's second set of goals target the practical sentiments of their audience. USAID requires microcredit organizations to strive for self-sufficiency and sustainability. These demands mean fewer tax dollars in the form of donations going to development and more money remaining in the United States for our (US citizens') use. Who can argue with a sales pitch of "more development for less money?"

Expand Job Opportunities and Reduce Poverty

In USAID's "Microenterprise Development Brief for Bolivia," available to the public over the internet, USAID states their goals as "helping to expand job opportunities and reducing poverty among microenterprise
owners, workers, and their families" (USAID July 1997: 1). It can be assumed that "expanding job opportunities" means job creation or the chance to access new, better paying jobs. Reducing poverty can be defined in a number of ways, but the United Nations in its Human Poverty Index (HPI) measures poverty based on longevity, knowledge, and a decent living standard.

In order to accomplish their goals of reducing poverty and creating jobs, USAID supports the following actions:

(1) helping microfinance institutions to reach greater numbers of people, especially in rural areas;
(2) supporting institutional sustainability and financial self-sufficiency among microfinance institutions; and (3) providing support to Bolivia’s Superintendent of Banks and Financial Institutions to improve the regulations and supervision of microfinance institutions (USAID July 1997: 1).

These policies must make a leap between the desired ends of their development strategy and their means of getting there. The policies assume three things. First, it assumes that the key to job opportunities and reducing poverty lies in the sheer number of people involved in microcredit. That is, since microcredit creates jobs and as a result, reduces poverty, by reaching greater numbers of people microcredit lending will help alleviate poverty.

Second, USAID assumes that institutional sustainability and financial self-sufficiency has a direct impact on the success (i.e. job creation and poverty alleviation) of microcredit. If a lending institution is sustainable, their financial services will be available for years to come, allowing for a continuing relationship between the lending institution and the client. Therefore, if the financial services do in fact help in poverty reduction for the client, microcredit opportunities can continue to assist for many years. In addition, the sustainability of lending institutions ensures that future
generations will have access to the same opportunities to pull themselves out of poverty that current generations have now. In the same sense, financial self-sufficiency breaks the dependency many development institutions have on outside donors for continued financial assistance in order to exist. Self-sufficiency would ensure the survival of the lending institutions regardless of externally available funds.

The third way in which USAID hopes to reduce poverty and create jobs is by improving the regulations and supervision of microfinance institutions. In this, USAID assumes that the regulation of microcredit agencies will help achieve their goals in two ways. First, it will eliminate unfair lending strategies, such as high interest rates, which have traditionally contributed to poverty rather than reduced it. Second, it will help ensure that the institutions are run profitably, ensuring their survival for years to come and leading to the benefits described in the paragraph above.

Remembering that USAID has to convince the United States Congress and United States citizens that microcredit is a sound strategy, emphasizing the self-sufficiency and sustainability of lending agencies appeals to their audience. Both Congress and the public prefer development without a price tag so they can help the poor but not spend billions of dollars in seemingly inefficient and ineffective projects. Such a strategy also appeals to the idea that "they" (Bolivians) should not be dependent on "us" (Americans) but should take care of themselves and stand on their own two feet.

BancoSol

Because BancoSol operates as a for-profit, commercial bank, it does not have to concern itself with pleasing donors and soliciting financial resources.
Instead, it has to appear as an attractive and profitable investment for shareholders.

The BancoSol annual report for 1995, available in both English and Spanish, states that BancoSol was founded "with the main purpose of encouraging internal savings, of helping self-employed microentrepreneurs and fostering the creation and development of microenterprises by financing their operations and promoting the concept of self-employed private enterprise" (BancoSol 1995: 21). These goals mirror many of the goals found and discussed in other microcredit organizations. What makes BancoSol unique, however, is that it does not have to be evaluated in terms of its impact on clients since it exists to make a profit and its success is based on how well it performs as a business. Its for-profit status makes financial success the most important factor of evaluation, unlike NGOs whose legitimacy is based on improving the lives of their clients.

**Profitability of the Organization**

By charging 4% per month in interest, microcredit is usually a profitable venture. BancoSol operates strictly as a bank, offering loans and savings accounts, avoiding the high costs of any type of social training of clients. It markets itself and strategically places itself around various market areas to attract clients and make repayment by clients easier. Its purpose is to enrich its shareholders by lending money to market women.

---

10 This apparent contradiction between its status as a profit making venture and its advertised desire to help people may stem from its origins as an NGO, but a complete analysis is beyond the scope of this thesis.
FIE

FIE, a Bolivian NGO, has become one of Bolivia's most successful microcredit lending agencies. FIE depends on donors, both national and international, to support its activities (although it is currently transitioning from a non-profit NGO to a for-profit commercial bank). FIE must appeal to an audience of donors who want to see their money produce tangible results in order to continue donating.

The FIE view book, designed and developed for donors or other interested outsiders and available in English or Spanish, describes the origin of the name: "from the Spanish verb, 'FIAR'; to confide, to sell on trust, give credit". The view book also graphs the growth of the organization and displays colorful pictures of women hard at work selling vegetables or knitting sweaters (FIE 1995: 1). It contains graphs and charts showing how the number of clients has increased and the numbers of loans are growing. It states the following objectives for FIE:

Economic Empowerment

FIE strives for the "economic empowerment" of its clients (FIE 1995: 8). While FIE itself does not define the term specifically, I will assume that economic empowerment means an increased ability to control one's own resources- an interpretation strongly supported by FIE documents. Indeed, these documents suggest that by supporting microenterprises through microcredit, individuals have the opportunity to make a living on their own. They suggest that people's income depend on how hard they work and how talented they are in their profession, rather than on a minimum wage imposed by large companies. Individuals have the opportunity to grow and
increase their earnings, more than they would as employees of other businesses.

_improve living conditions_

A second objective of microcredit, according to FIE, is "The improvement of their living conditions." ("Their" refers to "women and men, groups, and 'popular' organizations") (FIE 1995: 8). Microcredit's role in improving living conditions seems straightforward. With the increase in income expected to occur from the investment of credit into businesses, people will have more disposable income to spend on improving their living conditions. The possibilities are endless, including home improvements, purchasing furniture and appliances, or buying new clothes.

_advance productive base_

One objective of FIE is "The advancement of the country's productive base" (FIE 1995: 8). One can easily understand this objective. With microcredit growing and developing small, productive businesses, it will have an impact on the growth of the country on a larger scale by creating a solid, profitable economic base from which the country can advance. Instead of a large population of unemployed or under-employed citizens trying to survive, there will be a large population producing, selling, and in return, contributing to the country's economic growth.

_freedom from hunger_

Freedom from Hunger plays a different role in microcredit than USAID, BancoSol, and FIE. Freedom from Hunger is a United States based
non-governmental organization which operates microcredit programs in several countries around the world, including the CRECER program in Bolivia. Just as USAID and FIE depend on outside funding for survival, Freedom from Hunger depends on donations from corporations, organizations, and individuals for continuing existence. In their 1996 Annual Report, mailed to potential donors, photographs of poor women carrying their smiling children helped by Freedom from Hunger stare out at the readers from the glossy pages.

As the name suggests, Freedom from Hunger originated as an organization dedicated to finding ways to relieve hunger and poverty suffered by many of the world's citizens. Throughout its 50 years in existence, Freedom from Hunger has tried innovative strategies to combat world hunger such as Multi-Purpose Food, a "non-perishable, high-protein powdered food supplement which could feed hungry people for under five cents per meal" (Freedom From Hunger 1997: 13). Clifford Clinton, the brains behind Multi-Purpose Food, wanted to go beyond providing protein and "truly empower the hungry to feed themselves" (Freedom from Hunger 1997: 13). In 1989, Freedom from Hunger began its Credit with Education programs for women to realize Clinton's dream.

Relieve Hunger

Combining microcredit loans for mostly poor, rural women to "increase their incomes by expanding their tiny businesses" with social training on how to "better feed and care for their children," Freedom from Hunger hopes to alleviate hunger for all of their clients (Freedom from Hunger 1997: 16). There seems a logical connection between these two problems. With loans invested in businesses making them more profitable,
people can buy more food. With the education they acquire from Freedom from Hunger's training programs, people can learn what food they should buy and what to do with it. The result is a multi-pronged attack on what appears to be the causes of hunger—lack of money (from lack of credit) and lack of education (from lack of money).

TRAINING OBJECTIVES

ProMujer

Much of microcredit's appeal to the international community is its focus on women. Women make up a majority of the clientele of most microcredit lending agencies and many of the objectives of microcredit are tailored specifically for women. A brochure by ProMujer, a microcredit lending agency for women that combines credit with training, begins by describing a woman's situation in Bolivia:

Bolivia, with its 7.2 million inhabitants, is one of the countries with the highest level of poverty in South America...The most affected by this reality is the Bolivian woman who is, with much frequency, excluded from...education and labor opportunities...if she works, she earns much less than a man... (ProMujer) proposes a creative and participatory solution to this problem (ProMujer 1997: 2-3).

11 Bolivia con sus 7.2 millones de habitantes, es uno de los países con mayor nivel de pobreza en sudamerica...La más afectada por esta realidad, es la mujer boliviana por ser, con mayor frecuencia, excluida de las oportunidades educativas y laborales...Si trabaja gana mucho menos que el hombre...(ProMujer) propone de manera creativa y participativa, soluciones a esta problemática.
ProMujer depends upon domestic and international financial assistance to fund their programs, including USAID. However, ProMujer has become increasingly self-sufficient over the last few years. The organization maintains its status as an NGO and has to sell its microcredit success story to donors as well as the individuals who participate in their program. ProMujer does so by emphasizing their combination of loans and individual self-help training. Using a 12 page pamphlet filled with photographs of smiling women with children and supplemented with basic graphs showing the growth of the organization (i.e. sustainability, numbers of clients, solidarity groups), ProMujer easily convinces its audience that if the organization is growing and the women are smiling, microcredit must be working.

I base my understanding of ProMujer’s objectives on the manuals provided in the training sessions. The manuals were written by ProMujer’s director, Carmen Velasco and can be used to discover the discourse ProMujer uses with its clients. In order to receive a loan from ProMujer, women must attend a series of training sessions. The clients’ training sessions cover topic areas such as health, child development, empowerment, basic business and how ProMujer functions with communal associations. ProMujer’s objectives are many, as projected to their clients:

*Improve Personal and Business Finance*

One goal of ProMujer is to teach women to improve basic finance in their homes and businesses. For example, the ProMujer training manual contains worksheets on household budgets asking questions such as "how much do we need to live" and "how much do we need to earn to live."  

12 cuánto necesitamos para vivir.
13 cuánto ganamos para vivir.
Clients then move on to budgets for their businesses, filling in information on "calculating my fixed capital,"14 "calculating my work costs,"15 "calculating my revenue,"16 and "calculating my profit"17 (ProMujer "Destrezas Básicas en Negocios"). Women can then apply what they learn in class to their everyday lives and businesses. In doing so, they will begin to manage their money effectively which will help them improve their lives.

How to Use the Market

In conjunction with personal and business finance, ProMujer educates its clients about the market. They review concepts such as competition, product quality, seasonal marketing, pricing, and the difference between a good and bad business. ProMujer believes that by teaching basic concepts which every business must be aware of in a capitalist society, women will be able to take advantage of the market and profit from it. Neoliberal theory views the market as an unbiased mechanism from which everyone has the opportunity for financial gain. It assumes that every culture will benefit from individual competition rather than reciprocal relations. Without an understanding of the market, not only will women fail to expand their businesses, but also, they may be forced out of the market by others who succeed (ProMujer "Destrezas Básicas en Negocios").

14 calculando mi capital fijo.
15 calculando mis gastos de trabajo.
16 calculando mis ingresos.
17 calculando mi ganancia.
Good and Bad Businesses

Increase Savings

Pro Mujer's microcredit training program teaches women to save. Women are obligated to save 20% of the amount of the loan they receive and they have the option of saving more if they choose. The obligatory savings exists for practical purposes, as stated in the Pro Mujer training manual. The obligatory savings "forms part of the funds of the communal association and also guarantees your loan"18 (Pro Mujer "Asociaciones Comunales": 10). The obligatory savings is also used as a teaching mechanism. Pro Mujer believes that if women are forced to save initially, they will later learn to save on their own. They can then use their savings for emergencies, investment, the purchase of material goods, or an education. Pro Mujer believes that the

---

18 Ahorro Obligatorio es el dinero que la socia tiene que depositar conjuntamente la amortización interés y que forma parte de los fondos de la asociación comunal y que también sigue como garantía de su préstamo.
benefits from saving money are numerous and help form a healthy base for economic growth.

**Empowerment**

A major objective of ProMujer's microcredit training program is *potencializacion* or empowerment. Empowerment for ProMujer encompasses a number of issues. In the training manual, women are to write down their qualities, identify who they are, who they would like to be, what makes them sad or happy, their personal, family, group and work related necessities, their obligations, and their rights. They set goals, both for themselves and for their solidarity group. They view ProMujer's vision of difference between good and bad relationships and are exposed to positive affirmations of what they could be and how they should relate to others in order to succeed in business. For example, they read "I get along well with everybody"¹⁹ and "I am popular"²⁰ (ProMujer "Potencializacion"). By addressing these personal issues, ProMujer intends to strengthen women's character and self-esteem and make them more effective business people and participants in society. In addition, the women will improve troubling aspects of their own lives such as inequality or abusive relationships. ProMujer views their training as a positive and necessary addition to their microcredit loans because it addresses important life-enhancing issues which may be overlooked by organizations that offer microcredit loans without training.

---

¹⁹ *Me llevo bien con todos.*
²⁰ *Soy popular.*
Who They Are

Their Obligations
Their Rights

Buenas relaciones

Malas relaciones

Good and Bad Relationships
Improve Health

One of the problems which plagues the poor is inadequate health care. ProMujer recognizes that expanded job opportunities and other microcredit benefits are ineffective if families continue to suffer from chronic health problems. Many health problems can be prevented. Therefore, ProMujer takes the responsibility of educating women about health in order to encourage better health practices for the entire family.

In ProMujer training courses, women learn about important topics such as nutrition, diarrhea, respiratory illnesses, good hygiene, and vaccines. They learn that a child becomes malnourished because "s/he eats too little,"21 "the mother does not know about nutrition,"22 and "bad food"23 (ProMujer "Defensa de la Salud"). They share advice on cleaning houses, cleaning people, cleaning food, and cleaning the environment. They write about or draw pictures illustrating the benefits of vaccinating their children.

In addition to addressing basic health problems, ProMujer emphasizes how savings and positive family relations can prevent some of the added stresses of health problems in a family. Savings can avoid financial problems if a family member needs to go to the clinic or purchase medicines. Positive family relationships can assist in the family member's mental health or physical recovery.

Family Planning

Having many children, especially without proper planning, may result in economic difficulties, family tensions, and overpopulation. ProMujer hopes to help their clients avoid all of the problems associated with large

21 come poco.
22 la madre no sabe sobre nutrición.
23 mala alimentación.
families by educating them. They first explore the issues which surround having children. For example, they ask the question, "what are the problems of having a child when the couple is not prepared nor really wants to have it?" (ProMujer "Defensa de la Salud": 22). Clients learn how small families are preferable to larger families and that the decision to have children should be shared by both the mother and the father. On a more practical level, the women learn different forms of birth control which allow them to choose under what conditions they wish to have children. Armed with the understanding of how not to have children, women will not have to suffer the hardships brought on by additional children.

**Child Development**

Women shoulder much of the responsibility for raising children. In keeping with the goal to develop and improve people's lives in many different areas through microcredit, ProMujer has designed a training section focused on how their clients can be better mothers. Clients learn to interpret what different facial expressions mean on children, such as happy, sad, or tired and why their children would feel that way. They explore the differences between their own childhoods and the lives of their children. To do so, the women choose from drawings meant to represent possible scenes from their childhood and list "How to improve the lives of my children." They learn to make toys for their children and learn that mothers are not only caregivers, but also teachers (ProMujer "Desarrollo del Niño"). As mothers learn to identify their roles in their children's lives and to detect the

---

24 ¿Cuáles son los problemas de tener un hijo cuando la pareja no está preparada ni realmente quiere tenerlo?
25 Para mejorar la vida de mis hijos.
different emotions of their children, they will raise their children in an environment conducive to development.

Happy, Sad, and Tired
CHAPTER SIX: THE REALITY

Microcredit as a development strategy does not differ from many other practices in life. The theoretical aspect does not mirror the practical aspect. I examined the theoretical aspect, or what is supposed to happen, in the previous chapter. The practical aspect, or what actually happens, will be examined in this section. The practical aspect became the source of my investigations during one month of fieldwork in Bolivia. This section reports the findings of those investigations. In this section, I seek to convey what the experience of borrowing and lending is like for those engaged in it, and as much as possible, the views of participants toward what is happening.

USAID

USAID coordinates much of the large-scale international funding for microcredit lending agencies in Bolivia. The World Bank has limited their assistance to occasional donations to the Bolivian Central Bank, leaving USAID in control of the vast majority of microcredit provisioning. John Owens, the microfinance specialist at USAID, estimated that microcredit lending agencies in the country have approximately 158,000 clients. "That's significant, and we're hoping to double that number in the next two to three years." With such a significant number of people involved in microcredit, and with USAID having such consolidated control over funding the organizations, USAID has a significant influence on the direction of microcredit lending.

While much of the theory behind microcredit is based on the assumption that businesses receiving loans are productive in nature, many of
the most visible businesses in Bolivia are petty retail, consisting of a woman selling a few goods for a slightly higher price than she bought them for. In addition to being the most visible businesses receiving microcredit, vending is also the target of many lending agencies and make up a majority of their clients.

Mr. Owens admitted that growth in retail, specifically street or market vending, "tends to stabilize. There's not huge growth." Why then, does USAID support lending to this sector? Mr. Owens discussed the attractiveness of vending for women. "Vendors have a lot of flexibility. You can still take care of your kids. Your hours are your own, so if your kid is sick, you don't have to go to work that day."

As a result of the ease of entering the retail sector, Mr. Owens commented on the fact that market saturation was beginning to become a problem. Too many people sell on the street. Mr. Owens argued that the market would eventually correct itself. "The best survive. The others move on." Where to? "Hopefully, as businesses grow, there will be opportunities for them there."

While USAID may talk about the actual impact on clients when interviewed, they focus much of their work on the lending institutions themselves. USAID funds all types of microcredit institutions including NGOs, commercial banks, and credit unions. By funding microcredit organizations and not women directly, they remove themselves from microcredit's failure to "develop" clients and can associate themselves with the financial success of the lending institutions. For any microcredit organization to receive funding from USAID, the institution must
provide the Mission [USAID] with a credible written commitment to (1) attain full financial sustainability on the MFI's [Microfinance Institutions] financial service activities within no more than seven years of the initial provision of USAID assistance and (2) use USAID assistance to expand the availability of financial services to microentrepreneurs and other poor people (USAID "Microenterprise Development": 18).

To continue receiving funding, the institutions must provide financial information to USAID on an annual basis. The detailed information falls under the following headings: portfolio and outreach, interest rate policy, income and expense information, balance sheet information, indicators of opportunity cost of funds, and analytic performance indicators. Nowhere does USAID request any information about the loan impact on the clients.

**BancoSol**

BancoSol's success and profitability is readily apparent to anyone passing by its offices. The freshly painted, ornate buildings with sunroofs and balconies are full of employees dressed in suits sitting at comfortable desks surrounded by green plants and photographs of smiling market women. As Carlos Villaroel, Regional Director for Cochabamba said, "We want our women to be comfortable." The security guards greet clients and direct them in the right direction if they are unsure of where to go, and the bank employees, predominantly male, are friendly and helpful. Clients receive a loan in less than a week and spend very little time waiting to see an

---

26 Queremos que nuestras señoras esten comodas.
employee. According to one BancoSol employee, "If they are waiting, they are not working."\textsuperscript{27}

BancoSol has grown to be the largest bank in Bolivia in terms of numbers of clients, capturing 35% of all borrowers in Bolivia. After only three years in existence it also claimed the position of the most profitable bank in the country (BancoSol 1996: 2; Stone 1996: 3). What began as eight agencies in 1992 has sprouted to 33 in 1996 covering La Paz, Santa Cruz, Cochabamba and Oruro. As the most successful, i.e. most profitable, microcredit lending organization in Bolivia, First Lady Hillary Clinton, an avid proponent of microcredit, granted BancoSol the honor of a visit when traveling to Bolivia in 1996.

\textbf{FIE}

I spent a full day observing the lending process at FIE in El Alto. My day began at 8:30 when I climbed about five flights of stairs in the raw cement building which houses FIE. The office was fairly spacious with parquet wooden floors. To the left was the cashier booth, where the clients pay or receive money. The cashier booth had Plexiglas on the front and sides which made it look official. Next to the booth was a wooden desk for an employee who answered questions for clients and also took basic client information and performed data entry. Next to that was a room with walls waist high with green painted wood and the rest made of opaque Plexiglas. Inside this room, the salmon painted walls enclosed six wooden desks spread out haphazardly along the walls of the room. Five desks were for evaluators, one extra was for administrative tasks. One wall had large windows all along it shielded by a

\textsuperscript{27} Si ellos estan esperando, no est\'an trabajando.
light-weight, white curtain which kept out the harsh rays of the sun but still let the light in. Three of the desks were against this wall with the employees sitting with their backs to windows. File cabinets covered one wall and part of another on the other side of the room. There was one computer and a phone. Clients entered the room to talk with the FIE employees, who evaluated their financial situation to determine what size loan they could receive.

Connected to that room was a smaller room with a computer, desk, phone and a couple of chairs. It did not seem to be any particular person's office because various people wandered in and out of it at different times to use the phone or computer. Connected to that room was the director's office. In the center stood a large wooden desk behind which was a window with a view of El Alto. One wall had a large bookshelf with an Ekeko, the Andean god of wealth and abundance, on it. Against the wall in front of the desk stood a table with a table cloth and a couple of chairs and piles of books or papers.
A Bolivian police officer in his green uniform guarded the exit. Along the walls separating the rooms and offices people sat waiting on benches for their appointments with their evaluators. They never waited long, though, which is an unusual characteristic for anything Bolivian.

Each of the five evaluators worked with clients either in production or commerce. Three were women, two were men, and all appeared younger than 30. I began the day sitting with Jular who worked in production. The two chairs facing his desk for the clients were uncomfortable and Jular's attitude added to the physical uncomfortableness. He did not seem to have much patience. His arrogant attitude suggested that these were pathetic people who should not be taking up his valuable time. He hurried through the applications, never smiled, and never introduced me to the clients. My presence as an unexplained stranger perhaps made the clients feel uncomfortable but Jular never felt compelled to explain it. He even went so far as to talk to me about the client's personal financial situation (occupation, expenses, amount of loan, etc.) in the client's presence, and he rolled his eyes at me after one client left.

The first client appeared relatively comfortable in her financial situation. She owned a machine to make sweaters and other woolen products, which she sells in the countryside. She also sells beverages for additional income. She was dressed "de pullera" (a term referring to the full skirts many of the indigenous women wear as a sign of their identity). Her husband earned $300 per month, she earned $200 per month and together they support four children. Since the woman was not part of a solidarity group, her cousin guaranteed the loan.28 Jular listed off questions from his clients in FIE have the option of either taking out loans individually if they have another person to guarantee it, or taking out loans with a group using the members of the group as collateral.
form about all aspects of her financial situation including how much she spent each week on household expenses, how many sweaters she sold at what price, and how much the yarn for the each sweater costs. He determined she could pay $49 per month for seven months so her loan became $300 with the production loan interest rate of 24% per year.\textsuperscript{29} The loan amount resulted from calculating her ability to pay rather than her needs. She could return the next day to receive the loan. The process took about 15 minutes.

Jular saw about eight people that morning. Throughout the loan processes, Jular remained impersonal, just asking for the information he needed for his form and then telling the clients to return the next day. A majority were women "de pullera," some of whom were taking out loans jointly with husbands. Those who were taking out loans on their own still needed their husband's signature (or someone else's signature if they were not married) to guarantee the loan.\textsuperscript{30}

I sat for a brief time with another employee, Susana, who had only worked in commercial loans at FIE for a few months. Susana acted in a more personable manner but talked so softly I could barely hear her. She had long, thick, black hair and a welcoming smile. When determining what loan size the clients would receive, she first asked them how much they wanted to pay each month and they would negotiate from there. They fixed a loan amount according to how much the client wanted and how much FIE believed they could repay. Sometimes clients wanted to pay what they paid on their last loan because they had become accustomed to paying that amount every month. Sometimes they argued that they wanted a larger loan so they were

\textsuperscript{29} Commercial loans incur an interest rate of 3\% per month.

\textsuperscript{30} While this served as security for FIE, it undermined any sense of empowerment for the woman because she still had to have permission from another person, usually male, to receive a loan.
willing to pay more. Ultimately, the loan was based on how much the client could pay, rather than how much they needed. For example, rather than going in to FIE to take out $800 for a sewing machine, clients visited FIE to take out any amount of money for "materials." Materials became a consistent "reason" for a loan and justifiable since they are regularly used and needing to be replaced.

I also sat through two loan interviews with Bridgette. Bridgette appeared very thin with long hair. She displayed a lot of energy, talking quickly and using her hands to talk. Her first clients were sisters who were each taking out the same sized loan— all of their expenses and income were exactly the same. They even lived on the same street (but not together). Bridgette told them they needed their husbands' signatures despite the fact that they were guaranteeing each other's loans. The sisters were dressed "de pullera" and very personable, one being slightly more talkative than the other. When Bridgette told her she needed her husband's signature, she turned to me and laughed "why does the husband have to sign?" Bridgette was also friendly to her clients, chatting with them like they were people rather than just cases with forms to fill out.

The employees dressed casually wearing jeans and a nice shirt. The office smelled like cement, as do many places in Bolivia, and felt comfortable—not too fancy but not run down.

I spent the afternoon driving around El Alto with Jular and Bridgette (and their driver) visiting the businesses of people who had applied for a loan that morning. FIE owns a red jeep and hires a driver for the daily visits. The visits are to confirm that the businesses exist so that the next day, the clients can return to FIE to participate in the detailed financial questioning I had
witnessed earlier in the morning. The day after, the clients can pick up their loan. The whole process takes no more than three days.

All of the businesses we visited were located in the clients' homes. Many people were not at home when we arrived, despite their knowing that FIE would visit that day. It did not seem to matter much- the employees told the people present to have the client stop by the office the next morning, and the loan process continued. At every house, the FIE employee first asked "¿hay perro?" (is there a dog?) and s/he asked the family to tie it up if they owned one. Almost everyone has a dog in El Alto for protection even though there are very few valuables to protect.

The first client we visited was a man who sold socks and underwear which he bought from another location. He showed us a pile of new socks and underwear on a table in his yard which he intended to sell and that was all FIE needed to see as a "business" to approve his loan. We spent perhaps three minutes at his home.

We visited a woman who sold cosmetics. A man answered the door and after asking "¿hay perro?" we asked for her. Approximately ten minutes later, she finally emerged. Bridgette explained to me that people will often try to clean the house or themselves to create a positive impression when FIE enters. Meanwhile, we had to wait. Eventually, we circled around another house and ascended a set of outside stairs to enter to the woman's house. A few children and other people stood around the room just watching the proceeding. A wooden table, a few chairs, a sofa, and a cabinet furnished the room in a disorderly manner. The client pulled out a small bag of lotions from the cabinet which she had bought to sell. That was her "business." She claimed that she wanted a loan to buy more cosmetics to then sell.
Next, we visited a man who drives a trufi (a van used for public transportation). He receives loans to make repairs on the trufi. I asked Jular why he did not use his earnings from driving the trufi to make the repairs. The employee replied matter-of-factly that he uses his earnings for other things. Apparently, the boundaries between the household and business are fluid.

We also visited a family who made Mickey Mouse lollipops. They owned a small gas hot plate which they used to melt the ingredients which went into molds. Nearby sat several boxes filled with the candy waiting to be sold. The floor was dirt, pigs and chickens ran around in the small, muddy yard, and children peered through the door every once in a while. The small room where they made the lollipops housed a wooden table and was one of the three rooms in the small house.

The next couple we visited made sweat suits. The house contained three rooms, one of which had two sewing machines, cloth material, a closet, and a bed. The other two rooms were neat, sparsely furnished and painted light blue. Jular asked "Why are you not working?" and the couple explained that no one wanted to buy sweat suits after Christmas. There was no market for them. They would start making more for Carnival season at the end of February. Apparently, one does not need a market in which to sell products in order to receive a loan for a business.

Another client we visited was a woman who made shawls using vicuña yarn, an item that can cost as much as $200 a skein. She showed us her machine located in a small shed with a dirt floor. A sheet of plastic on the floor next to the machine held a couple of balls of yarn. Other than a small wooden table and the machine, the room appeared empty. The room

---

31 ¿Por qué no están trabajando?
had wooden boards for walls and appeared as if it could collapse at any moment. The woman produces very expensive products but her shack in El Alto suggests that she does not make much money from them.

Last, we visited a mechanic who worked on a large tractor trailer truck in his yard. He showed us some parts scattered around the yard as part of his business. He wanted a loan for materials, nothing specific. We had a difficult time leaving his neighborhood because the dirt roads (almost all of the roads in El Alto are dirt) were so washed out and filled with deep mud that our Jeep became stuck.

All of the visits were very short. We simply looked at the materials the clients showed, the products they made or sold, told them to go to FIE the next day, and left. We returned to FIE around 4:00, (we had left at 11:30), to attend to a few more clients before the doors closed at 6:00 for the day.

I do not believe any of the loan applicants we visited were refused that day. All that is necessary to receive a loan is to go through the required motions. Clients first fill out a form with the secretary which asks if they have a business. If they can fulfill that requirement and have their husband guarantee it, there is nothing else which can prevent them from receiving a loan other than a failure to pay back their loans in the past. Everyone has access. The employees take down the financial information (how much do they sell at what price, household income, and all expenses) which helps them determine the maximum loan size, but there are almost no obstacles between clients and a loan. The almost haphazard lending seems to work well for FIE, though. The clients keep returning and FIE boasts a near perfect repayment rate.
I spent one day observing ProMujer's training in the classroom. I interviewed the teacher, Octavia Callo, prior to the training session. She was happy to answer my questions and answered honestly, admitting that some of my observations were, in fact, accurate. For example, I asked about women using the loan money for expenditures other than their businesses and she admitted "Yes. That is the reality of the situation" but they could not police their clients and force them to use their loans only for their businesses. She explained the different topics covered in the training classes and showed me the manuals they use. When I asked if I could copy the manuals, she said "no." ProMujer does not allow anyone outside of their organization to have copies of the manuals because they are not sure where the information will end up. Microcredit has become a competitive industry and they do not want another organization taking their ideas.

While Octavia and I talked in a small room, people interrupted occasionally to tell her that a certain person wanted to see her, or other messages. Outside of the room, one of the employees tried to wash the floor. She managed to throw a lot of water on the floor but all she seemed to accomplish was to move the dirt around. She never really eliminated it.

The training session was scheduled to start at 12:30. Outside of Octavia's office, four or five women "de pullera" gathered with pots of hot lunch which they shared with other arriving women. Around 1:00, we finally entered the classroom and Octavia began.

The classroom was long and narrow with a window opposite Octavia overlooking El Alto. We were on the second floor of the building so it did

---

32 Sí, es la realidad.
not look directly on to the street. Four differently sized wooden tables stood along the walls with wooden chairs scattered around them wherever there was room, leaving an aisle down the center of the room for people to pass through. The room was typical of most rooms in El Alto- a cement floor and dirty, cream-painted cement walls. The teacher stood in front of a green chalk board and the door was to her right.

ProMujer- El Alto Classroom

The session began with nine women, three men, one young boy, one young girl and two babies. During the next hour, fifteen additional women, some with children, wandered in and found a seat. A majority of the women were "de pullera," with their babies on their back, on the floor next to them, or breast feeding. The babies cried occasionally but not for long periods of time. The three men appeared to be laborers, dressed in worn, dirty, work clothes.

Not everyone remembered to bring their manuals or pencils, so Octavia distributed extras to them. She stopped at various times throughout
the class to distribute manuals and pencils to newcomers, to find more pencils, to find chalk, or to find a calculator. She began by asking what they had discussed during the previous session as a review for the students. Eventually, after the awkward moment when no one wanted to be the first to speak, someone said "responsabilidad" and a few others contributed other themes, no one expanding on their one word answers. The teacher quickly moved on to that day's topic: "Communal Basics."33

Octavia used the chalkboard frequently. The first section was "how our communal bank works"34 and she diagrammed the bank hierarchy, reproducing information already available in the manual. Occasionally, she stopped speaking in Spanish and explained a point in the Aymara language spoken by most of the indigenous population, but she did not translate all of the lesson into Aymara. Judging from the number of faces which came to attention when Octavia spoke Aymara, I would guess that five clients spoke only Aymara and therefore missed most of the lesson.

Octavia explained that loan money should be used only for businesses, not friends or clothing. She told the class to refuse to give a friend or relative the loan money if they asked because it would make it more difficult to repay ProMujer. She stressed that they are borrowing money for their businesses, not other people.

Octavia explained that if one person in the group does not pay, the rest are responsible for her payment. She urged the clients to tell people, family, friends, husbands, etc. that they were taking out the loan. By doing so, family or friends could assist the client in repaying the loans if she encountered financial difficulties and lacked money at repayment time.

33 Basicos Comunales.
34 Como funciona nuestro banco comunal.
The next topic of discussion was "how our communal association grows" during which I and others in the class became partially confused. Octavia talked about loans in terms of cycles, where the first loan equaled cycle one. After a client completed payment on that loan, she continues with a second loan, which became cycle two. Octavia used a bar graph to show how with each new loan, the loan became bigger, savings increased, and ProMujer grew. Inside each bar, she listed various numbers and used a calculator to create other numbers which she then used to determine more numbers. She never reaffirmed that the class understood her calculations. She just kept writing until the end and concluded by exclaiming how everything had grown. The growth of ProMujer, not the clients' businesses, seemed to be the focus. Her main objective was to show how renewing loans meant larger loans.

The next section was "how do my companions and I grow in the communal bank?" The teacher again wrote several numbers showing how the obligatory savings grew with each new loan. Once again, the objective appeared to be to convince clients that loans are not a singular event. They are a way of life, taking out a new loan once they paid off an existing loan.

Octavia left the room for a short time and two of the women at my table passed their manuals to two other women so they could copy what was on the board into the manuals. My impression was that they could not read or write. In fact, Octavia estimated in the interview that approximately 40% of the clients cannot read or write and even more can only read or write a small amount. Octavia returned and told the class to make sure they had all of the numbers copied into their manual. Apparently, no one had followed

---

35 Como crece nuestra asociación comunal.
36 ¿Cómo crecemos mis compañeros y yo en El Banco Comunal?
what she was talking about while she was calculating in order to reproduce it in their manuals. Instead, the clients simply copied the information into the manuals without understanding. That was enough for Octavia.

There is no testing of the material. Octavia explained that there really is no way for ProMujer to ensure that the women are practicing what they learn. The teacher did not take attendance, so I assume a client can miss training sessions without repercussions.

Throughout the class, I observed some participants napping, some on the verge of napping but forcing themselves to stay awake, mothers dealing with crying children, and clients staggering in late. Clearly, they operate in an inattentive atmosphere.

As the clients wandered out of the room at 2:00 (1/2 hour early), Octavia made one last remark- to remember to leave the coca outside or bring a bag to spit in.37

I tried to speak with Octavia after class but she rushed out of the building immediately following the training. I spoke briefly with an intern from Japan who knew very limited Spanish. She had worked at ProMujer for two months and planned to stay a total of six to gain experience in development so she could find a permanent job in the field. By the time I finished chatting with her, the students had left to return to the market. I found my way out of the building and returned to La Paz.

Clients

Six microcredit recipients spoke with me about their living situations in order to describe what role microcredit has played in their lives. Talking

---

37 Many Bolivians chew coca leaf to fight hunger, altitude, and fatigue.
with the microcredit recipients was especially important and worthwhile because it allowed me to go beyond the organizational rhetoric into the reality of the impact of microcredit. When the success of microcredit organizations is being evaluated, recipients are often left out of the process. This becomes readily apparent when reading the available literature on microcredit. However, the recipients are the most important group to examine when trying to reach any conclusion about microcredit's success. The microcredit recipients I interviewed represent various occupations, sexes, marital statuses, loan sizes and lengths, histories and backgrounds. All, however, had received microcredit loans.

Sofia, Paula, Ruth

Ruth

I met Ruth through her mother, a friend of a friend. The interview took place in her mother's home, a small, dusty apartment with cracking
adobe walls built into the steep slopes of the La Paz valley. Ruth was happy to talk with me, often offering information without my encouragement.

Ruth met her husband eight years ago while she was still a schoolgirl. They married two years ago and are raising a one-year-old daughter. Ruth currently attends classes to become certified as a teacher and volunteers as a teacher to meet some of the certification requirements. As a result, she has no income. "I still am not earning anything. I depend on my husband."38 About ten years ago, she began making "chamarras," a heavy knit sweater made with a machine. When she met her husband, he also became involved with the business and has since almost completely taken over. She is too busy with school to devote the necessary time to running her business.

Despite the fact that she no longer runs her business, she is responsible for the loans her husband uses to buy materials. "Now we are married and so it [the loan] is for the two of us. It is the same with the other women [in the solidarity group]."39 She has been taking out loans with BancoSol for four years. Her initial loan was in the amount of 500 Bs. ($100). "[My husband and I] were still dating and the loan was to buy a wardrobe for Christmas."40 The size of her loan has since grown to 1500 Bs. ($300). She pays 4% per month in interest.

Little by little, if I pay, they increase a little more. If I have not paid, then they punish. They do not increase the loan or increase it only a tiny amount or suspend lending for some time.41

38 Yo todavía no he ganando nada. Todo depende de mi esposo.
39 Ya estamos casada y entonces es para los dos. Es lo mismo con las otras señoras.
40 Estamos enamorados todavía. Era para la Navidad, para comprar un ropero.
41 De allí poco a poco, si yo he cumplido, le aumentamos un poco más. Si no ha cumplido, entonces le castigan también. No le aumentan o le aumentan un poquito o le suspendan un tiempo.
The chamarras earn enough to pay the light and water bills. Her husband makes 70 Bs. ($14) per week teaching and spends about 50 Bs. ($10) per week on rent, food, and transportation. With such a tight budget, they use their loan money to buy the extra necessities such as clothing or furniture. Sometimes, she or one of the other four women in her solidarity group simply do not have enough money to cover their bank payment so the group helps cover the loss.

This is what the solidarity group is for. The other women can help. How much are you missing? We say 100 pesos are missing. She is missing 100 pesos. Then I give 30 pesos, and another woman gives the rest. When the amount we have to repay is greater, it happens more frequently.42

With such high interest rates and no apparent increase in income from the loans, why does she continue to borrow? "To save us."43

Sofia

I interviewed Sofia with Ruth (see above) and Paula (see below). All are neighbors and members of Ukamau, a knitting cooperative which knits and exports sweaters to a German company named Norsurladen. They have been friends for many years. Sofia dressed in black sweat pants with a striped knit top and a baseball cap to keep her hair back. She was eager to talk.

Sofia sells newspapers and magazines, an occupation she has held for 23 years since she was seven years old. Her husband works as a mechanic and together, they support three boys, ages seven, five and three. She works

---

42 Es por eso el grupo solidario. La otra persona puede ayudar. ¿Cuánto te falta? Digamos le falta 100 pesos. 100 pesos me falta. Entonces yo compro 30 entonces yo voy a poner la más. Cuando es mayor el dinero que tiene que depositar, sí, ha pasado mucho.

43 Para salvar.
Friday, Saturday and Sunday while her husband works Monday through Saturday. During Friday and Saturday while both parents work, the children stay with Ruth’s mother.

Sofia earns approximately 40 Bs. ($8) on Fridays, 70 Bs. ($14) on Saturdays, and anywhere from 70 - 100 Bs. ($14-$20) on Sundays. With this income of approximately $36 - $42 per week, Sofia pays basic living bills. She pays 20- 25 Bs. ($4 - $5) per month for the electric bill, water costs vary, school supplies cost 4 Bs. ($1) per week and to feed her family she spends approximately 70 Bs. ($14) per week on food. Transportation costs 15 Bs. ($3) weekly for herself, 18 Bs. ($3.50) weekly for her husband and 15 Bs. ($3) weekly for her children. Gas costs 15 Bs. ($3) per month and her husband pays for the clothing and shoes.

Sofia receives loans from a microcredit organization called IDEPRO. Two years ago, she received her first loan of 100 Bs. ($20) which has since increased to 500 Bs. ($100). She, like most people, occasionally gives some of the money to help out her husband’s business. “We help each other.”44 She also uses the money to buy necessary household goods or newspapers and magazines.

Sofia has her own ideas about why women receive loans more than men. "There are not many men because women work more."45

Microcredit has not changed Sofia’s life much since she began receiving loans. She has been borrowing money most of her life to cover costs. Loans have never allowed her to move ahead. The only real benefit of her current loans comes from no longer having to pay the 10% interest rate to

44 Nos ayudamos.
45 No hay muchos hombres porque la mujer trabaja más.
loan sharks, but no one really sees the savings. She still loses 4% per month in interest to the bank.

**Paula**

Paula lives next door to Ruth's mother's home, where the interview took place. I could see through the window the dusty adobe walls between which a sagging clothes line held various articles of worn clothing. Paula sat quietly next to me but when she spoke, her strong voice commanded attention. Despite a tired look on her face, she seemed content to sit and chat with me and the other women in the room.

Paula buys goods, usually food products, wholesale from a warehouse on the outskirts of La Paz and sells them to small stores in the city.

The warehouses are large here in La Paz. I take [the products] on public transportation. I leave them in the center [of the city]. It is there that they buy them.46

At age 38, Paula raises her four children alone with only minimal financial assistance from her children's father, who lives in La Paz (he helps with clothing and school supplies). "He left"47 was all she had to say about him. She works every morning, from 6:00 to 9:00 buying and selling in the stores of La Paz.

Paula spends 38 - 40 Bs. ($8) on electricity, 2 - 10 Bs. ($0.40 - $2) on water and 30 Bs. ($6) on gas. She spends 600 Bs. ($120) monthly on food and 90 Bs. ($18) monthly on her transportation. Her children's transportation is an additional expense.

---

46 Los almacenes son grandes aquí en La Paz. Traen en mobiliidad. Le dejo en el centro. Se venden del centro.
47 Se ha ido.
Paula has the option of saving from IDEPRO where she receives her microcredit loans and when she began receiving loans, she was required to save in the bank. Paula, however, prefers to maintain control of her money by keeping her savings in her home, rather than the bank.

Now I do not have an account. Now my money is in my house. All of my life I have done this. Now it is not obligatory (the savings account).48

The unconditional accessibility and availability of her money in conjunction with the assurance of autonomy when she keeps her money in her home appeal to her. She has always saved for emergencies or other unexpected expenses and the benefits of saving in a bank are not significant enough for her to change her habit.

Marta

48 Yo no tengo la cuenta. Ahora, mi dinero está en mi casa. Toda mi vida he hecho esto. Ya no está obligatorio.
I interviewed Marta in the Plaza San Francisco, a busy section in downtown La Paz, while she sold fried chicken patties. Every tourist knows Plaza San Francisco for its surrounding streets lined with women selling handicrafts. Many locals sit on the steps of the old church, Iglesia San Francisco, watching people pass by while others draw a crowd with their tricks or performances.

Marta has been a regular sight in the plaza for the past ten years, beginning her business during the initiation of neoliberal reforms and at the start of the influx of women into the informal sector. She sells every day except Sunday. She sits on a stone slab, sets out her pan piled high with the fried food, opens an umbrella to shade herself from the harsh Andean sun, and feeds her hungry customers. She did not let my questioning interrupt her sales. She yelled out to customers "¡patitas!" (patties!) in the middle of answering my questions. She just stopped answering me when customers approached her so she could place the patties in napkins and count their change. She did not hesitate in answering my questions but I had to pull the details out of her.

Before Marta started her own business, she worked for ten years as the president of a 100 person knitting cooperative named Ukamau (described above). While she still participates in the cooperative, she no longer runs it. Before Ukamau, she worked as a housewife, taking care of her five children and husband. Her youngest child is now 22 and 10 years ago, after 23 years of marriage, Marta separated from her husband. She lives alone so her expenses are minimal; just rent, electricity, water, etc. Her children work and live with their father, who does not help with her expenses.

Marta charges 60 centavos ($0.10) for each pattie and sells about 200 each day. She has a 2500 Bs. ($500) loan from BancoSol which she pays every 15
days for six months. She uses the money "for the children, for the family, for clothing." Marta saves some money in the bank to ensure that she can meet the loan payments. "It is for when I need it. It is for the times I cannot pay the bank, the same money that I put in, I take out to pay." Her solidarity group, whose members she met in the plaza where she works, help each other out when one of them cannot pay. They were friends before the loans, seeing each other every day in the plaza selling food or drink, and drew on an already existing network of friendship and support to begin taking out loans. They will remain friends, serving as a support network and safety net for each other in their struggles to survive. They support one another despite the push by neoliberal reforms for a competitive market focused on the individual.

Felipa

\footnotesize

\begin{itemize}
  \item \footnotesize Para los hijos, para toda la familia, y una parte para la ropa.
  \item \footnotesize Es para cuando necesito. Es cuando a veces no pudo pagar el banco el mismo plata saco y pago.
\end{itemize}
I interviewed Felipa in her home on the outskirts of El Alto. The small, two-room house combined the living quarters with a workshop where the sewing machine stood next to the bed and the "kitchen table" held a random array of materials, cups and plates. Felipa, like most women in El Alto, dressed "de pullera" as she did while growing up in a small village named Salpaki outside of El Alto. She still visits Salpaki frequently where she acquires many of her fruits and vegetables which she uses for household consumption.

Felipa has lived in El Alto for 12 of her 36 years and raises two children, ages 12 and 15. She and her husband migrated to El Alto as newlyweds from Salpaki to find work during the beginning of the neoliberal reforms in the mid 1980s. "My husband came to work as a driver." Before she began making aprons upon her arrival in El Alto, she sold beans and potatoes and harvested trees in the countryside. Now, her husband has ended his job as driver, perhaps because of excessive competition as a result of the dramatic increase in drivers since the neoliberal reforms, and joined Felipa in her business. They work out of their house, using two old-fashioned, pedal-powered sewing machines. Felipa has an individual loan and uses her sewing machines as collateral. If she did not pay the loans, the bank would confiscate her machines.

Felipa is in the process of paying off her fourth microcredit loan from IDEPRO which has grown to $1500. She uses her loan money for a variety of goods. "I buy some clothing, things for the house, my expenses, nothing more." She and her husband make approximately eight aprons each day which they sell for 35 Bs. ($7) in the market. The materials to make each

---

51 Mi esposo vinó a trabajar como chofer.
52 Compro ropa, cosas para la casa, mis gastos, nada más.
apron cost approximately 23 Bs. ($4.50) so she makes 12 Bs. ($2.25) for each apron.

With the money earned from selling the aprons at the market, Felipa has to pay her family’s bills. In addition to expenses such as school for the children and microcredit interest, Felipa pays $20 per month for her house, 300 Bs. ($60) per month for food and 26 Bs. ($5) per month on electricity.

She is managing to survive but her loans have not improved her economic situation. She still travels frequently to Salpaki to visit family who have remained there. She handed me two small, yellow pears from her village as I left her home.

Freddie
Freddie lives in El Alto with his wife Viviana and three children. They live in the same neighborhood as Felipa, and Freddie is actively involved in trying to bring running water and a telephone to the community via a local organization consisting of various members of the neighborhood. Currently, they have to travel by bus to another location to use a telephone and they walk to wells to obtain water. As his children played outside, he and his wife offered me tea and talked freely about their difficulties and troubles with microcredit.

For the past seven years, Freddie has run his own business making wood carvings for tourists. Each wood carving which Freddie crafts takes approximately a half of a day to make and he makes around ten each week. He spends 5 - 7 Bs. ($1) on the wood and sells his carvings for 30 - 70 Bs. ($6 - $14). With new environmental laws in place prohibiting people from cutting down trees, the price of wood for Freddie has increased, diminishing his profits.

Freddie received a microcredit loan from an organization known as Los Andes in order to pay off old loans from various individuals. He is currently repaying his first loan over the course of six months and vows he will never take out another loan. The 4% per month interest rate combined with such a short repayment period transforms the potential benefits of microcredit into burdens.

In addition to the difficulties of microcredit and environmental laws, Freddie has experienced drastic effects from the neoliberal reforms. He described how an increasing number of foreigners occupy the high-paying jobs of multinational corporations which replaced the previously nationally owned companies, leaving Bolivians jobless. With the influx of small businesses into the market started by the unemployed, the competition has
been so fierce, that as a result, the prices he receives for his carvings are half of what they used to be. "Before, the prices were better. With this government, there is more competition."  

Freddie is considering moving to Brazil in search of a better life. His cousin currently lives and works there, sending back money to his wife and child who still live in Bolivia. He has changed occupations before, he can be flexible and change again. He works hard and just wants something to show for it.

---

53 Antes, los precios eran mejor. Con este gobierno, hay más competición.
CHAPTER SEVEN: THE EVALUATION

Now that I have outlined the objectives of microcredit and described the reality of the borrowing and lending process, I will explore the effectiveness of microcredit in terms of its impact and success in achieving the goals of the microcredit organizations. Using the information presented in the previous chapter, I will examine each one of microcredit's claims to determine if they are, in fact, accurate.

Expand Job Opportunities

Microcredit and many other development strategies have evolved as a result of the loss of job opportunities from neoliberal reforms. With so few jobs available for Bolivians, Bolivians have had to pursue economic survival through self-employment. With so many self-employed people moving into vending or other microenterprises, neoliberal reforms supported by microcredit have actually saturated the job market in these types of businesses, decreasing the employment opportunities and/or profit margins. Freddie Montes is one example of someone trying to make a living from his wood carvings but hindered by the increasing competition. In the seven years that Freddie has sold his wood carvings, the competition has grown, forcing his prices to fall to half of what he earned seven years ago. He will drop out of the market soon and search for a job elsewhere, perhaps in Brazil. Instead of experiencing increased job opportunities from microcredit, his livelihood has become increasingly difficult.

Furthermore, microcredit does not encourage or even allow the start of new businesses. Most lending agencies in Bolivia require the loan recipient to run the business for at least one year before they can apply. There are two
problems with this requirement. First, many businesses need capital most when they first begin in order to purchase goods to sell or machines and materials to produce. If the business owners are poor, which microcredit advocates and agencies claim they are, how can a "microentrepreneur" obtain the money necessary without a loan? Microcredit limits their job opportunities to the most basic (i.e. least expensive) businesses. Second, if a loan recipient is required to have a business for a year before applying for a loan, the goal of expanding job opportunities may not in fact lead to the creation of new jobs. For example, Sofia has been selling newspapers and magazines for 23 years, with and without microcredit. Her job opportunities have not changed with loans.

John Owens of USAID/Bolivia mentioned that vending is a relatively easy occupation to enter. This is a key point in understanding the widespread support for microcredit. The implementation of neoliberal policies in 1985 put thousands of laborers, mostly men, out of work. With the reduction of job opportunities, unemployed Bolivians needed a means of survival which required little education, training, or time. Women began to assume responsibility for survival and turned to vending, an easy occupation to enter and one which is traditionally considered women's work.

Mr. Owens argued that vending is a preferable job opportunity for women because they can take care of their children. Unfortunately, this reasoning is more of an excuse for the failure of microcredit to empower women than an explanation of how microcredit is supporting women. If women were truly empowered, their jobs as mothers would be recognized by society as full time, valuable work rather than a task they automatically assume in addition to paid employment.
USAID claims microcredit reduces poverty and expands job opportunities, but not necessarily for vendors who make up a significant percentage of microcredit recipients. For Mr. Owens, though, that seems satisfactory, because vendors can take care of their children while they are working. The problem lies in the fact that they would be taking care of their children even if they were not vending. If microcredit is not lessening their responsibilities, then how can it be "helping" them?

Unfortunately, in vending, the creation of new jobs from expanding businesses is simply not reality. As Mr. Owens stated before, "There's not huge growth." In none of my interviews could I find a growing business. In all of my time in Bolivia, I have never seen, nor heard of, a market woman expanding her business to the point of hiring additional employees. Businesses are not growing and therefore cannot absorb the influx of women into the informal sector. So where will those people who "move on" from the informal sector go to? They still bear the burden of poverty- the lack of an education, limited marketable skills, and a labor system unable to absorb their large numbers. "We can't help everyone," Mr. Owens stated. Apparently, they cannot even help the people they claim to help through microcredit.

Finally, if USAID requires only financial information from the microcredit institutions they fund, they force organizations to concentrate only on the profitability of the organization, rather than the success of the clients. USAID does not concern itself, or measure in any way, the profitability of clients' businesses.

Reduce Poverty

The theory behind microcredit asserts that microcredit loans will help build a business which in return will make the business more profitable and
reduce poverty. In theory, microcredit organizations assume poverty is caused by a lack of income and personal ignorance. Reality, however, has been found to depart significantly from theory. None of the microcredit recipients interviewed experienced a change in income, even after years of loans. The recipients interviewed certainly did not appear ignorant. They understood their situation and what they had to do to keep going. Furthermore, they were surrounded by friends and family willing to help in the bustling capital city of Bolivia. Poverty for them was not a result of simply not having enough money or not knowing how to save, but rather, a complex system of global and domestic forces working against some classes for the benefit of others. To claim that changing one factor involved in poverty, i.e. lack of credit, will overcome the larger forces at play, creates a simplistic, unrealistic solution to a complex problem.

**Profitability of the Organization**

One area in which microcredit has succeeded is in the profitability of lending organizations. An increasing number of banks are beginning to offer microcredit in addition to their regular loans. NGOs like ProMujer are becoming almost completely financially sustainable and some, such as FIE, are changing their status from an NGO to a commercial bank upon realizing the opportunities for profit involved in microcredit lending.

While the success of this goal may appear positive, I have difficulty in supporting it. The home of one of the regional directors for BancoSol was a large, stone mansion set back in the hills with green grass and flowers surrounding the fence. The houses of microcredit recipients were small adobe apartments with cracking foundations hastily assembled on the eroding walls of the La Paz valley. This stark contrast troubled me, knowing that the
BancoSol director supports his lavish lifestyle with the money from the poor market vendors. This was not the original intention or objective of microcredit as a development strategy. Microcredit does not improve the situation of the loan recipients, only the loan providers.

**Economic Empowerment**

Instead of empowering women to take control of their economic situation, microcredit does the opposite. Using businesses which they have started out of need, women borrow money from banks and organizations to pay off old loans. They save, as Marta does, to pay off their current loans. They continue in a cycle of loans for years, as Ruth has, depending on the loans to buy furniture or other goods, and paying high interest rates. Having to borrow from family members or solidarity groups to pay back the loans, or paying with the last of their husband's salary, leaves them broke, at which point they turn to the bank again for new loans to make it through the next period of time. This cycle is not a means of controlling their own economic resources. Instead, women have shifted their dependency for money from moneylenders charging 10% - 20% interest rates and higher to microcredit banks and organizations which charge slightly lower rates of interest.

In addition to creating dependency on microcredit organizations and banks, some microcredit organizations have reinforced women's economic dependency on men. At FIE, for example, women must obtain their husband's signatures for their loan if they are taking out an individual loan. How can a woman possibly become "economically empowered" if she has to ask her husband for his approval to take out a loan? It serves to strengthen a poor woman's position as subservient to men. As a possible ramification of the required signature, the husband may use his control over the loan as a
tool to exert additional power over the woman. The consequences could be quite negative. However, my interviews did not include this aspect.

**Improve Living Conditions**

Microcredit is supposed to improve living conditions because businesses are supposed to profit more after they receive loans and business owners can then use the additional income to buy furniture or clothing. Microcredit does provide clients with improved living conditions in some cases, but it skips a step in the theory. As we have determined from the poverty evaluation, microcredit does not increase income. Therefore, there is no additional income to buy furniture or clothing so clients simply use the loan money itself to purchase goods. All recipients interviewed claimed to use the loan money for personal items not associated with their businesses. Unfortunately, it costs them 4% per month interest on their "personal" loans and the money used does not generate more money so they have to absorb the costs themselves.

Microcredit organizations are aware and readily admit, as did ProMujer and FIE, that their clients use the loan money for purposes other than their businesses. Knowing that the money is not being invested and therefore clients are paying interest from sources other than their increased profits supports the argument that microcredit organizations are not concerned with the actual impact of the loans, but rather, the continued existence of the organization as a profitable venture.

**Advance Productive Base**

Looking down the streets of La Paz, most people would have a difficult time claiming that microcredit advances Bolivia's productive base. Vendors
Missing from the Miracle

line the street selling gum or nylons, purchased across the border and sold in country. Vendors:

trek across the borders with some savings, and return with a variety of goods over rutted roads in the back of open trucks...When they finally get their goods to market, competition is fierce and profits low (Farthing 1995: 144).

They are not producing. They are reselling goods for slightly higher prices.

Those who are producing, perhaps making aprons like Felipa or chamarras like Ruth, are not growing enough to advance Bolivia's economy significantly. They work with small amounts of money and probably will not take on additional workers outside of the family as they hardly make enough to survive.

By pouring money into the informal sector of the economy, microcredit does not advance Bolivia's productive base, but rather, serves to appease those most adversely affected by neoliberal reforms- the poor. By continuing to support this means of survival, Bolivia can prevent large scale social unrest. They can avoid the painful and costly social reforms in areas such as health and education. The country can continue to allow the rich to profit while the poor get by on vending. In addition, Bolivia's productive base cannot grow if much of the focus of microcredit is on vending and retail rather than production. Simply reselling goods does not advance a productive base. It moves goods from one place to another.

For the productive base of a country to grow, it must produce goods and continue producing more on an ongoing basis. The microcredit clients interviewed who produce goods are not producing more than they were before. Ruth's business produces the same number of chamarras that it did
eight years ago. Freddie can only make two wood carvings per day and has not changed for seven years. Felipa and her husband make aprons day after day and only a factory could allow them to produce more in a shorter amount of time. It is the microcredit banks and organizations that are advancing, not the country's productive base.

Furthermore, microcredit takes responsibility for economic growth out of the hands of big businesses and places it in the hands of small businesses. Small businesses do not have the capacity to become factories. Therefore, giving money in the form of microcredit to the poor theoretically increases their capacity as a consumer while decreasing any chance of competition for newly arrived multinationals. For example, when the tin mines closed after prices dropped during the mid 1980's, the thousands of miners out of work moved into the informal sector. Microcredit targets people involved in the informal sector, providing them with enough money to survive and purchase goods as consumers. Meanwhile, multinationals have begun buying parts of the mines with no competition from large Bolivian businesses since many have been reduced to microenterprises.

**Use the Market**

For Western capitalists, the market is the key to economic growth. Use the market correctly and everyone has a chance to go from rags to riches. The magic of the market may be a reality for people in the First World, but the Third World faces a slightly different situation.

For example, walking into a market area in the city of El Alto, one can see up to eight or ten women in a row all selling exactly the same yarn. Nothing really differentiates one stand from the other. The women chat with each other as they wait for customers. If one woman has to leave, another
will watch her stand for her. If one woman does not have correct change for her customer, another provides it. If one woman does not have exactly the right product, she sends her client to one who does. The residents of El Alto who buy yam often have a specific woman, a "casita," who they buy from every time, which results in a relationship of loyalty. The women have been sitting side by side for years and have become friends, maybe take out a loan together or take care of each other's children. They help each other out. According to Linda L. Seligmann,

In the marketplace, they [market women] actively cooperate with each other and competition between them remains minimal. They pool together their resources for lodging and develop strategies to gain access to clients (Seligmann 1989: 713).

This situation does not conform to the cut throat market Adam Smith envisioned. In Western markets, the women would have strategically located themselves in areas without other yam vendors and would cut their prices to attract new customers. They would take the money earned from their business (separate from household finances, of course) and reinvest it in more yam, a bigger stand, and new products. They would beat the competition, forcing them out of the market. This type of market does not exist in Bolivia. Women cannot compete as individuals or they will lose the networks of relationships on which they depend for survival.

Based on my own observation of how a Bolivian market works, let us imagine a Western style market in El Alto. Suddenly, people start investing their limited profits back into their business, leaving their families without money for food and housing. One woman's stall starts growing larger and the other women selling yam will no longer talk to her. Now she has no
friends, no one to take care of her children, no one to participate in a solidarity group for a loan, no one to give her correct change, and probably a lot of curses or evil stares when she walks by. She has destroyed her survival network and her social life.

The point of these scenarios is to convey that what seems wrong to someone who has grown up with the Western style market, has purpose and meaning behind it to someone in Bolivia. Trying to "train" women to mold to a Western capitalist system in order for them to make more money may destroy networks of survival far more important than a few cents profit.

Improve Personal and Business Finance

My personal interviews of microcredit clients revealed no improvement in personal or business finances. Women must already have a business in order to receive loans so they have already developed a working knowledge of running a business. Women already know how to calculate costs. Every one of the recipients interviewed could describe how much they spent on different expenses. That ability came from years of experience, not a page in a ProMujer manual. Putting numbers down on paper does not change habits which have served them well in life. They know how much they need to live, they know they have problems covering those expenses, so they take out a loan.

Increase Savings

In microcredit programs where savings are required, microcredit has succeeded in increasing the savings of recipients. It is a requirement for the loan and also offers an additional guarantee to the solidarity group. However, when optional savings are available, many clients have not taken
advantage of them for two reasons. First, most poor women do not have extra money to put away. They earn a minimal income. If they had enough to save, they probably would save rather than taking out loans.

Second, some women put money away in secret places in their homes. Those who are able to save a few cents for emergencies want the control and freedom offered by keeping their savings in their homes. The banks attach requirements and conditions, limit clients' access to their money to banking office hours, and have a history of instability during economic crises when many people have lost their life savings. Microcredit banks and organizations may have increased their own savings, but this has not appeared to alter their clients' savings habits.

Finally, "teaching" women to save through obligatory savings programs assumes that the reason they do not save is because of personal ignorance. It also assumes that lack of savings because of lack of knowledge is the source of poverty when in fact the causes of poverty are more complex. In many cases, women who can save, do. Some women cannot save because they are too poor. They are not poor because they do not save.

**Empowerment**

ProMujer tries to empower its clients in only a few short days by discussing their rights and obligations. They talk about their qualities and relationships. Clients look at drawings showing that people hitting each other is "bad relations" and people smiling and playing ball is "good relations." They see pictures showing their rights- to have a family, medicine vote, protest, education, and food.

Unfortunately, empowerment is not as easy as reading manuals and looking at pictures for a few days. A woman in an abusive relationship
cannot easily leave just because she has "learned" that it is a bad relationship. Most people can recognize a bad relationship, but there are too many obstacles to break through and the situation is too complex for them to leave successfully.

Women may "learn" that they have a right to an education, but that does not help them if they have five children to take care of and a business to run. The required uniforms are an added expense, the schools are far from adequate, and their age prevents them from returning to third grade, where they left off 30 years ago. Furthermore, 40% of ProMujer's clients are illiterate and even more have limited reading and writing skills. If women are supposed to learn to be empowered through manuals which require reading and writing skills, most women enrolled in the ProMujer program lack even the opportunity to discover what ProMujer has to offer. They cannot read their course materials. In addition, some women enrolled in ProMujer's training programs only speak the Aymara language but the course is taught in Spanish. This obstacle eliminates a significant majority of the clients from any education, either from schools or ProMujer, and shows that the training programs are, in fact, a formality rather than an effective means of empowering women.

Through training, women "learn" that they have the right to protest. However, this is a right which they have learned on their own as they have protested the governments which oppress them and limit their opportunities. During my month long field research, I witnessed five large protests and street demonstrations without seeking them out. I am sure many others occurred unnoticed by me. Bolivians know how to protest. They learn it through life experience. ProMujer's role in empowering women by explaining to them that they can protest does not change the
situation which they are protesting. Despite regular protests from various sectors of Bolivian society, the social conditions which stifles their empowerment remains tremendously confining and oppressive.

Furthermore, many women take out loans for their partners or give part of the money they receive to their husbands. Ruth, for example, takes out loans for her husband to run a business she began. She remains without an income but is responsible for loan payments to the banks. While ProMujer may tell women not to give out their money, they cannot control it. Ultimately, banks and organizations focus on women who have demonstrated a responsibility to repay but who use the money to grow their husband’s business. The women have become the bank’s method of collecting loans.

In addition, John Owens from USAID/Bolivia implied that market vending empowers women when he claimed, "Vendors have a lot of flexibility. You can still take care of your kids. Your hours are your own." Where is the empowerment in this scenario? Women still shoulder the responsibilities of child care and have the added burden of providing financially for the family through vending. This "double day" does not empower women. It forces women to cover two jobs at one time. Mr. Owens' statements demonstrate the general lack of value placed on child care responsibilities by many societies. He believes that child care can be adequately accomplished in the marketplace while women demonstrate real value, i.e. earning money, through vending.

Empowerment occurs with the help of societal influences and opportunities, not manual pages. With so few opportunities available to women, especially poor women, how can they become empowered? With an inherently gendered division of labor where women are expected to raise
children and meet the financial obligations of the family but are expected to maintain low profit, low growth employment through vending, the opportunities for empowerment are limited.

**Improve Health**

Women have held the responsibility for their family's health for years. When ProMujer "trains" them to know how to detect diarrhea in their children or when they should take their children to the hospital, they do not change the problems which caused the illness in the first place. They do not change the water system or the high costs and limited availability of doctors. The training only serves to reinforce the obvious.

A health worker associated with Freedom from Hunger eloquently stated,

> We have been asleep for many years. Ignorance is a bad thing. It has made our children to suffer from illnesses. However, now we are changing all that. We have seen the light and we will not go back to sleep (Freedom from Hunger 1997: 15).

But ignorance has not made market women's children suffer from illnesses. Non-existent sewerage systems and water pipes in El Alto has. Contaminated drinking water throughout Bolivia has. People replacing milk with less expensive Coca-Cola has. These are forces beyond women's control. They are responsibilities women should not have to bear. It is not ignorance which causes their children's illnesses, it is the unfortunate fact that Bolivia as a country cannot provide a system which prevents or treats basic health problems.
Family Planning

The Bolivian government established its National Reproductive Health Program in 1990 increasing the availability of birth control, especially in urban areas. In a 1993 survey of 686 Aymara urban market women in La Paz and El Alto ages 15 - 49, 74% of the women used some form of birth control. Approximately 25% of the women used modern contraceptives, the most popular being IUDs, while 49% of the women used traditional fertility regulation consisting of the rhythm method or some form of periodic abstinence (Schuler et al. 1994: 211). The study stated,

...urban Aymara women want to regulate their fertility and that norms and beliefs about women’s roles and reproduction for the most part support fertility regulation. However, fertility regulation is difficult to achieve for most of these women (Schuler et al. 1994: 211).

Using in-depth interviews with the women surveyed, the study found several reasons why women did not use modern forms of fertility regulation, including the additional costs, a cultural reluctance to discuss sexual matters and contraception openly, the fear of side effects and a general dislike of modern medicine. In addition, men's beliefs about birth control, including the view that contraception would diminish their control over their partners and the belief that women wanted to use birth control so they could have an affair, undermined the effectiveness of regular contraceptive use. Adding these beliefs to the growing problems of alcoholism and domestic violence creates a complex array of social issues which prevent the possibility of a simple solution.

With 74% of the population practicing birth control and only 25% of the population using modern forms, the issue lies in what people are using
rather than if many are using. By encouraging modern forms of birth control, ProMujer disregards the gender tensions which arise from a male dominated society and dismisses the fact that women have managed to work around issues of control to prevent pregnancy through natural methods.

Furthermore, with only seven million people populating the country, Bolivia does not have a problem with overpopulation such that it needs to concentrate on reducing the number of children in each family. In fact, the United Nations stated that in Bolivia, "Rates of population growth are considered to be unsatisfactory because they are too low" (United Nations 1987: 66).

ProMujer's emphasis on birth control exemplifies an internal Bolivian discourse about class and race. Discouraging poor, indigenous women from having children implies that society does not regard them as equal and valued Bolivians whose race should continue. According to Elena Feder,

> These organizations often end up participating unwittingly in a wider neocolonial and racist project that includes curbing population growth. Given the high rate of infant mortality, it is not difficult to see...a genocidal neocolonial strategy (Feder 1994: 123).

Without addressing all of the factors involved, ProMujer and other organizations who offer social training simplify the issues involved in family planning by believing that a brief discussion about birth control can result in better fertility regulation. It requires far more study and understanding.

**Child Development**

In most cases, no one knows a child better than her/his mother. Mothers know when a child cries s/he is upset and can often understand
why. Recognizing that a smile means happy on a piece of paper cannot substitute for years of experience.

ProMujer's child development program assumes that the poor women who make up ProMujer's clients do not know how to take care of their children. Showing women drawings of happy and sad faces and asking them why their children are experiencing the different emotions is a juvenile exercise. Many women participating in ProMujer's programs already have children and have already obtained the invaluable knowledge which comes from experience, not a classroom. The elementary level of information provided in child development training leads me to wonder if training has any beneficial results or merely serves as a public relations booster.

Throughout this chapter, I have focused on what microcredit is not doing. I have analyzed each goal of microcredit and explained how microcredit loans and training programs have failed to accomplish what they claim. In the following chapter, I will explore what microcredit is doing. I will examine the various effects, often unintentional, of lending and training.
CHAPTER EIGHT: THE MAKING OF A GENERIC BOLIVIAN WOMAN

The Broader Problem

When development moves from theory into practice, an infinite number of situations, relationships, histories, social and cultural ideologies and identities must be considered. The diversity involved in each location and every individual who is the object of development must be examined. However, creating a complete understanding of every individual involved is far from practical. Most actors in development, spanning levels from international agencies to local level grassroots organizations, understand the necessary assessment involved in tailoring effective development programs to the diversity of the populations with whom they are working. They cannot, however, formulate individual development programs and still reach large numbers of people. As a result, they reduce the problem and the people targeted into something more manageable. Stacy Pigg, in her article discussing the representation of development in Nepali villages, described the process as the “systematic reduction of the diverse into the generalizable” (Pigg 1992: 504). By creating a generalized problem and person, development agencies can create simple solutions to an otherwise complex problem.

One example of how this process operates has been the creation of the image of the Third World woman:

The depiction of "Third World Women" which results is one of poor women, living in hovels, having too many children, illiterate, and either dependent on a man for economic survival or impoverished because they have none...the Women in Development discursive regime is not an account of the interests, needs, concerns, dreams
of poor women, but a set of strategies for managing the problem which women represent to the functioning of development agencies in the Third World (Mueller 1987: 4).

This image ignores the fact that Third World women range from the economic elite to the economic poor, from urban to rural, from married to single, from mother of ten to mother of none, and all of the possibilities in between. Furthermore, the image ignores the outside influences on her situation.

The image of the Third World woman is perpetuated further in the development discourse by comparing her to the First World woman:

This average third world woman leads an essentially truncated life based on her feminine gender (read: sexually constrained) and her being “third world” (read: ignorant, poor, uneducated, tradition-bound, domestic, family-oriented, victimized, etc.). This, I suggest, is in contrast to the (implicit) self-representation of Western women as educated, as modern, as having control over their own bodies and sexualities, and the freedom to make their own decisions (Mohanty 1991: 56).

The creation of the generic Third World woman once again reduces women into only two types, the First World woman being the model for what the Third World woman should be.

Implicit in the reduction of the Third World woman into the image of someone ignorant, uneducated, and having too many children is the belief that her situation is the result of her own inabilities and not external situations. By using and perpetuating this image, then, development programs can target the personal deficiencies of women rather than the complex issues of society in combination with individual variances.
a higher class. Every client, whether or not they can read, receives the set of manuals as a workbook for their training courses.

**ProMujer Clients**

ProMujer targets the economically poor population of Bolivia and specifically women, although according to Octavia Callo, a ProMujer educator, approximately 3% of the clients are men. Many, but not all, of the women are Aymara, one of the two predominant indigenous populations in Bolivia. 40% of the women cannot read or write and even more cannot read or write very well, while 1% of the clients have obtained, or are in the process of obtaining, a university education.

ProMujer depicts the problems of the Third World woman as a result of personal inadequacies or ignorance. Overcoming these failures will lead to the transformation into the First World or upper class woman. These development goals are depicted as follows:

**Small Families**
Almost all pictures showing happy families include a mother, father, and no more than three young children. This image exemplifies the First World influence in development by picturing the happy "developed" family as the ideal. The pictures of small, happy families in addition to ProMujer's family planning course reinforces the image of Third World generic woman which sees her as having too many children. If women have fewer children, then they may not be so poor.

**Vending**

Almost all pictures showing women's paid work are pictures of women selling products, usually vegetables, in the market. In a total of 30 drawings depicting women's paid work, 27 involved vending, one portrayed a teacher and two showed women knitting. The ProMujer generic woman is a vendor.

Vending does not generate high income, nor is it an occupation which holds an opportunity for significant growth. However, ProMujer indicates that it is possible to "develop" through vending. They show growth and
success, as transforming their business of selling a few fruits and vegetables into a larger business selling more fruits and vegetables. Owning a large fruit and vegetable stand is as successful as vending businesses can become in Bolivia due to social, cultural, and economic pressures, but they certainly cannot generate a large enough income to allow women to pull themselves out of poverty. Even with a larger size stand, a fruit and vegetable vending business is vulnerable to price fluctuations, weather variations, and stagnant growth, leaving little room for women to experience a great increase in profit.

**Education**
The ProMujer manuals show many pictures of women in classrooms and women reading. This reflects the image of the First World or upper class woman since extensive educational opportunities are not available for many poor Bolivian women and 40% of the ProMujer clients cannot read.

The classroom pictures in the manuals show what classrooms should look like. The pictures represents a classroom setting with students sitting at desks facing a teacher at an easel. Two of the three pictures show a male teacher and one portrays a female teacher. While this inequality in leadership roles reinforces gender inequality, a more interesting aspect to examine is the difference between the construction of the two male's classrooms and the female's classroom. Both of the men depict a very orderly, attentive class. All of the students are sitting at matching tables with matching chairs. They place their papers, presumably the manuals, in front of them. All feet are set squarely on the floor and almost all of the students look directly at the teacher.

The female's classroom, however, shows some people standing and some people sitting. Children are playing, sitting on women's laps, on her back or in front of her. The students sit on benches with no papers or materials. It appears more as a group meeting rather than a class.

This comparison between the image of a male teacher and a female teacher implies a number of things about development. First, the male classroom appears more like a First World classroom, with desks, chairs, pencils, and materials. This image allows clients to equate men with development and women with a less developed Bolivian environment. Furthermore, it portrays the male classroom as more orderly and the female classroom as more informal, indicating that men have more control and authority over people in their First World classrooms while women are
supposed to be more personable. Finally, neither of the men's classrooms have children present, while the female's classroom has five. This image indicates that in the First World, men have the privilege of education while women still bear the responsibility of children.

This image of development contradicts the actual educational opportunities available to women in Bolivia. The ProMujer classrooms are crowded with women, men, and children searching for space around randomly placed tables. The class I attended was taught by a woman who spent much of her time searching for supplies rather than teaching. People did not stare attentively at the teacher. They cared for children, wandered in late, or took naps. Very little learning actually occurred. Clients often could not read and simply copied information rather than understanding it. By implying through training that women can become more developed if they become more educated ignores the fact that they have very little choice in the matter and often cannot obtain the necessary "developed" education even if they want to.
Child Development

This picture is identified by the heading, "All children are born equal. Why do they become different?" The negative (lower) track implies that the mother leaves the baby alone in a wooden box, refuses medical attention from a nurse, puts it to sleep in a dirty environment, lets it play in mud and as a result, it falls asleep in class. This, obviously, is not what ProMujer wants their clients to do. They support, as seen in the positive (upper) track, a nurturing mother, medical check ups, pre-made toys, cleanliness, and an education. By placing the two images in opposition to each other in a training course, ProMujer suggests that their clients, as the generic Bolivian women, follow the negative track but should follow the positive track. In agreement with the image of the Third World woman, the pictures imply

54 Todos los niños nacen igual. ¿Por qué se vuelven diferentes?
that the only barrier between her child and medical attention is her ignorance. If she accepted Western medicine, she could help pull herself out of poverty. The image ignores the health care reality in Bolivia. With very few doctors and nurses, very poor clients, and many health problems stemming from poor water and sewerage systems, women have few options when their children become ill. They certainly are not refusing, as the picture implies, nurses knocking at their doors offering free services. Those services do not exist.

The positive track suggests what ProMujer thinks their clients should be, similar to the First World or upper class. ProMujer indicates that a woman should give all of her attention to her child. The pictures show only two levels of child attention. Either the woman abandons the child in a box, which a Third World mother does, or she places all of her time and attention into caring for the child, as a First World or upper class mother does. These images leave no room for a level of care in between abandonment and complete attention. The pictures and the implicit assumptions that poverty is the result of poor child development caused by the mother’s incompetence ignore the fact that women face economic responsibilities in addition to their mothering role. They do not have the luxury of remaining at home to care for their children and completely dedicating their lives to improving their children’s lives. They must work in the market selling vegetables or other products in order to make sure their family has enough to eat. This economic responsibility is the reason many women seek microcredit.

Furthermore, ProMujer indicates that children should play with pre-made toys, as if they constitute a means of development that improvised toys do not. ProMujer ignores the price tag attached to such luxuries. The
purchase of manufactured toys is almost impossible for many of the poor ProMujer clients.

**Household Environment**

![Household Environment images]

This set of pictures comes under the title and instructions "How was my life when I was a child. Paint the scenes that you remember from your childhood." The page contains seven negative pictures and five positive pictures. This imbalance suggests that ProMujer clients more likely spent their younger years witnessing alcoholic parents, being beaten, or being locked in a house.

Moreover, the pictures perpetuate specific stereotypes about the poor Bolivian woman. The client sees a pleading woman with four sad children and an angry husband leaving, which parallels the image of the Third World

---

55 Cómo fue mi vida cuando era wawa. Pinten las escenas que les recuerde su niñez.
woman and her relationship with men described previously—"either dependent on a man for economic survival or impoverished because they have none." Many women in Bolivia today do not have the support of a male partner in their lives. Due to the shift to neoliberal policies in 1985, many men found themselves without work and women took over the economic responsibilities of the household. The women who receive loans from ProMujer may or may not have a husband but their marital status is not the cause of their poverty. One of the many reasons they have sought loans from ProMujer is to survive the national economic shift which created a large sector of unemployed and impoverished families.

The pictures also differentiate between a First World or upper class husband/father and a Third World husband/father by showing alcoholism and domestic abuse from the husband/father. The First World or upper class family images show loving, participating husband/fathers and men as breadwinners working outside of the home, as implied by the picture showing happy children running from their mother to greet their father. By comparing the two images, ProMujer indicates that a woman needs to find a First World husband, not an alcoholic, abusive, abandoning Third World husband as he is the cause of the Third World woman's problems. Rather than empowering the woman, as the manuals are supposed to do, they convey the necessity of a perfect partner for her development.

Conclusion

Arturo Escobar, in his book *Encountering Development*, states that "any model, however, whether local or universal, is a construction of the world and not an indisputable, objective truth about it" (Escobar 1995: 62).
The generic Bolivian woman model which ProMujer portrays in their manuals is not the absolute truth. As I have shown through the manuals, ProMujer constructs a specific woman with stereotypical faults to fit into their solution for development. By not taking into consideration the infinite other factors which form the women they are trying to develop, including cultural, social, familial, locational, and historical factors, ProMujer ignores what opportunities are actually available and achievable by women individually. As a result, ProMujer diminishes the importance of the complexity of development.

These images reflect broader assumptions within microcredit about women, class, and the powers of capitalism. Microcredit advocates believe that women are poor because of their lack of business knowledge and lack of credit. They believe that with a small amount of capital, women through the self-help method of microcredit can pull themselves out of poverty. They believe that class lines are permeable and poor women can cross over them by making use of capitalism.

Microcredit advocates ignore the larger forces in play which limit women's opportunities and bind them to their subordinate position in society. They disregard the rigidity of class lines which make movement between classes a feat often beyond the control of individual women. They overlook global and cultural barriers to the benefits of capitalism for poor Bolivian women. They prefer to reduce the complex causes of poverty to create simple solutions.
CHAPTER NINE: CONCLUSION

On February 2-4, 1997, the first Microcredit Summit took place in Washington DC, an event which brought much media attention to the issue of microcredit. The Microcredit Summit showcased its goal to disperse $21.6 billion in loans for 100 million people by the year 2005 (Kaltenheuser 1997: 6). Prominent international figures such as Hillary Clinton, Prime Minister Sheikh Hasina of Bangladesh, Queen Sophia of Spain, President Yoweri Musevni of Uganda, President Alberto Fujimori of Peru, and Muhammad Yunis, attended the well publicized event as advocates of the new development strategy. President Yoweri Musevni went so far as to claim microcredit goals should not be "to alleviate poverty but to eliminate it." These views correspond with the general image of microcredit found in the Western media (Dunphy 1997).

Microcredit has come a long way from its humble roots in a small village in Bangladesh. What began as a $30 loan has become a multi-billion dollar industry. If, as I have described throughout this thesis, microcredit is not accomplishing its goals, then why do so many poor women continue to participate and so many leaders continue to support it?

Vending does not always earn enough to cover expenses. Before microcredit, a strong culture of reciprocal relations existed which allowed people to borrow and lend money within networks of family relations. With the emergence of microcredit, people found a new source of funds to keep their households afloat. They supplemented an already existing network of relationships which provided financial support with the more easily accessible system of microcredit. Microcredit agencies, as I described, erect very few barriers between their clients and loans. Clients can show a bag of
cosmetics, claim it as a business, and within three days receive a loan. This ease of accessibility appeals to many clients.

On an organizational level, supporting the success story of microcredit allows banks to profit, as seen with BancoSol. It allows organizations to continue to receive funding, as seen with FIE. It allows NGOs to simplify the problem of poverty to one of lack of credit and personal ignorance. By doing so, NGOs can maintain training programs which place the client at fault for her poverty, as seen in ProMujer. They appeal to a common sense understanding of poverty and its causes and as a result, continue to receive the necessary funding.

The Journal of Commerce is a 170 year old public newspaper for the business community focused on trade and transportation issues. It stated that in the United States, "Foreign aid...has acquired a bad name... and badly needs a poster child. As microfinance gains popularity, it may help out the helpers as much as the intended beneficiaries" (Journal of Commerce 1997: 6). As I have described using the example of USAID, international development agencies must appeal to the public for funding. By continuing to promote microcredit as a low-cost "solution" to poverty, even without impact studies to support their claim, they can continue to secure the necessary funding.

On an international level, microcredit support stems from its role in upholding neoliberal policies which have benefited many upper class elites in Bolivia and elsewhere and First World governments and organizations. President Omar Konare of Mali at the Microcredit Summit expressed his concern that microcredit was "becoming fashionable or an alibi to relieve consciences so the existing system can continue" (Dunphy 1997). By perpetuating the idea that microcredit reduces poverty, leaders can ignore the
true causes of poverty and continue supporting a system of drastic inequalities.
APPENDIX I

Sixteen Decisions

1. The four principles of the Grameen Bank - Discipline, Unity, Courage and Hard Work - we shall follow and advance in all walks of our lives.
2. Prosperity we shall bring to our families.
3. We shall not live in dilapidated houses. We shall repair our houses and work toward constructing new houses at the earliest.
4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.
5. During the planting seasons, we shall plant as many seedlings as possible.
6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
7. We shall educate our children and ensure that they can earn to pay for their education.
8. We shall always keep our children and the environment clean.
9. We shall build and use pit-latrines.
10. We shall drink tube-well water. If it is not available we shall boil water or use alum.
11. We shall not take any dowry in our sons' weddings, neither shall we give any dowry in our daughters' weddings. We shall keep the center free from the curse of dowry. We shall not practice child marriage.
12. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.
13. For higher income we shall collectively undertake bigger investments.
14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help them.
15. If we come to know of any breach of discipline in any center, we shall all go there and help restore discipline.
16. We shall introduce physical exercise in all our centers. We shall take part in all social activities collectively.
APPENDIX II

BancoSol Shareholders

Accion International (MA, USA)
Compañía Minera Del Sur S.A. (COMSUR) (La Paz, Bolivia)
Compañía Boliviana de Inversión S.A. (COBODI) (La Paz, Bolivia)
Fernando Romero
Fundación para la Promoción y Desarrollo de la Microempresa (PRODEM) (La Paz, Bolivia)
Gonzalo Sanchez de Lozada (Former president of Bolivia)
Inter-American Investment Corporation (I.I.C.) (Wash. D.C., USA)
Inversiones Bolivianas S.A. (La Paz, Bolivia)
Julio Leon Prado
Jose Maria Ruisanchez
Luis Eduardo Siles (Sucesion)
Profund International S.A. (Panama, R.P.)
Roberto Capriles
APPENDIX III

Sources of Funding for FIE

Interamerican Development Bank
Swiss Technical Cooperation
Swedish Authority for International Development
Oxfam America
Interchurch Organization for Development Cooperation
Catholic Relief Services
Diakonia/Swedish Ecumenical Action
Andean Development Corporation
International Labor Organization
Technical Assistance Service (World Bank)
Asociación Nacional Ecuménica de Desarrollo
Fundación de Alternativas de Desarrollo
Intermon Foundation
Ecumenical Church Loan Fund
Transfer of Technology for Development
Misereor
IDEE
Rafad
SOS-FAIM
Proyecto de Fortalecimiento de la Atención Primaria en Salud
Banco de La Paz
Banco Santa Cruz
ASERFIN S.A.
Financia Coop
Various individuals
APPENDIX IV

Sources of Funding for Freedom From Hunger

US AID
Food Industry Crusade Against Hunger (FICAH)
International Fund for Agricultural Development (IFAD)
Pfizer
PROCOSI
Share Our Strength
The Robert Wood Johnson Foundation
The Summit Foundation
UNICEF
United Methodist Committee on Relief (UMCOR)
William Randolph Hearst Foundation
Chase Manhattan Bank
Childreach
Lowe-Marshall Trust
Morgridge Family Foundation
Nutter, McClennen & Fish
Physicians Against World Hunger
PLAN International/Bolivia
Presbyterian Hunger Program
Presiding Bishop’s Fund of the Episcopal Church
The Small Enterprise Education and Promotion Network (SEEP)
The Simons Foundation
The Biedenharn Foundation
Chapel in the Hills, Texas
Episcopal Home
Fan Foundation
Granger United Methodist Church
Groves Foundation
Hahn Family Foundation
Harris and Eliza Kempner Fund
Merle & Ellen Morgan Gift Fund
Milken Family Foundation
MTA New York City Transit Authority
Myrtle L. Atkinson Foundation
Oregon Community Foundation
Powers Catholic High School
Reader’s Digest Foundation
Second Congregational Church Women’s Fellowship of Greenwich,
Connecticut
Sisters of the Holy Nativity
Stull Family Foundation
The Benjamin J. Rosenthal Foundation
The J. Willard Marriott Foundations
The Litwin Foundation
McNeely Foundation
The Trull Foundation
TRW Employee's Charity Organization
Tucson Community Foundation, Inc.
Numerous Individuals
APPENDIX V

Sources of Funding for ProMujer

FIS
USAID
PL 480
C.R.S.
Grameen Trust
Plan Internacional
Gems of Hope
Partners of the Common God
PROCOSI
UNFPA
F.H.I.
NOGUB-COTESU
Interview Questions for NGOs

1. What is success? For whom? Why?
   • What are the goals for your organization?
   • What are the goals for your clients?
   • What do women have to do to receive and continue receiving loans?
   • What type of training do they receive? Why? Who designed it?
   • Is implementation of training they receive a requirement for loans?

2. How are NGOs claiming success?
   • Do you have any case studies or evaluations of your programs which describe its success in detail?
   • What percentage of women have crossed the poverty line?

3. What are the motives?
   • Where do you receive your funding?
   • What kinds of information do you provide for your donors?
   • Do they require certain things of you?
   • Who started the NGO?
   • Why?
APPENDIX VII

Interview Questions for Clients

ECONOMIC IMPACT

1. How much has microcredit encouraged the start of new businesses and how much has just added on to pre-existing businesses?
   • What kind of business do you run?
   • When did you start doing that? Why? Where?
   • What else do you do to earn money?
   • Is this different from before you received the loan?

2. Has disposable income for the women increased as a result of the loans?
   • Do you save any money now? How much? Where? For what? Since when?
   • What do you have to spend your money on now? How much? Is this different from (5) years ago? What differences? Why?
   • Where do you get your goods to sell? How much do you have to pay for them? How often? How much do you sell it for? Is this different from (5) years ago?
   • What did you spend your last loan money on?
   • Is that usually what you spend your loan money on?
   • How much do you spend on your house, gas, food, water, school, transportation, etc.? Has this changed?

3. To what extent do women control their own loans?
   • Who lives with you in your house?
   • How old are the children? What are their names?
   • How did you meet your (conviviente)?
   • Does he work? Doing what? Since when?
   • How much does he make? What does he spend money on?
   • Does he contribute to the household expenses? How much?
   • Do you sometimes give money to him? For what?

4. What are their alternatives for credit?
   • Where did you get money to buy things for your store before you received your loan?
   • Where else can you get a loan?
   • Do you prefer microcredit? Why?
ARTICLES AND BOOKS


CEDOIN (Centro de Documentación e Información). September 1996. Informe R. La Paz: CEDOIN.


Rosenfeld, Stephanie and Juan Luis Marre. 1996. "How Chile's Rich Got Richer." NACLA.


DOCUMENTS

USAID. n.d. "Microenterprise Development Brief."

INTERVIEWS