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MIRCO-CREDIT AS A DEVELOPMENT INSTRUMENT IN ETHIOPIA

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ABSTRACT: *This paper examines the possibility of using micro-credit programs as effective development strategies to help combat poverty in Ethiopia. Case studies of micro-credit programs in Ethiopia will be included coupled with specific considerations of the socio-economic situation. An overview of the economic, social, and political situation in Ethiopia gives an understanding of what obstacles these programs would have to overcome, as well as situations conducive to the success of the programs.*

INTRODUCTION

In the last decade, micro-finance has been championed by many development practioners as an unusual, but innovative method to combat poverty[1]. Proponents argue that micro-credit promises to alleviate poverty by providing financial services (such as credit and savings) previously unavailable to the poor thus "expanding [their] economic opportunities" and at a minimum "decreasing their vulnerability" (UNCDF, 1999). Moreover, the United Nations Capital Development Fund argues that the potential of micro-finance is not limited to the provision of financial services, as it has also demonstrated its ability to successfully address the issues of "gender equity, more equitable income distribution, and the promotion of participatory approaches that stress individual and collective responsibility" (UNCDF, 1999). The appeal of micro-credit thus covers a wide-range of ideological perspectives. Leftist advocates of micro-credit draw attention to "the 'bottom-up' aspects, attention to community, focus on women, and most importantly, the aim to help the underserved," whereas supporters from the right emphasize "the prospect of alleviating poverty while providing incentives to work, the non-governmental leadership, the use of mechanisms disciplined by market forces, and the general suspicion of on-going subsidization" (Morduch, 1999).

Although the micro-credit industry is still in its infancy in terms of providing institutional models, the enormous potential demand that exists for the services it renders is encouraging (UNCDF, 1999).

The promise of micro-credit consists of providing financial services to low-income households to almost exclusively finance self-employment activities in the hope that much poverty can be alleviated (Morduch, 1999). By working from the grassroots, and avoiding a top down blue print approach, micro-credit has been able to avoid the many failing that numerous development strategies have encountered over a long period of time[2]. Some of the advantages that micro-credit program present include: flexibility, a focus on customers, adoption of a holistic and grounded approach, and as these programs are generally initiated and established in same settings as in which they work, it further facilitates identification and grounding in the community (Langdon and Richardson, 2000). While anecdotal substantiation is used to point to the success of micro-credit programs, hard evidence from impact studies is somewhat lacking. There have been few impact evaluations "with carefully chosen treatment and control groups," and even lesser "solid empirical work on the sensitivity of credit demand to the interest rate, nor on the extent to which subsidized programs generate externalities for non-borrowers" (Morduch, 1999). Morduch goes as far as arguing that there is little incentive to complete impact studies as "data collection efforts can be costly and distracting, and results threaten to undermine the rhetorical strength of the anecdotal evidence" (Morduch, 1999).

Critics of micro-credit argue that donors and on-lookers have tended to under-estimate the price of sustainability. Development practitioners instituting these programs have defined several levels of sustainability: the first stage, *operational sustainability*, refers to "when a micro-finance institution covers its administrative costs and loan loss expenses from its clients revenue;" the second stage, *financial sustainability*, is realized "when an institution which is operationally sustainable is able to cover the cost of funds, including inflation" (UNCDF-SUM, 2002). While financial performances might improve over time, some argue that even "established poverty-focused programs like the Grameen bank would have trouble making ends meet without ongoing subsidies" (Morduch, 1999). Although numerous donors, governments and most of the development community are enthusiastic about micro-credit, viewing it as a tool of unprecedented power in alleviating poverty, some argue that it is "being over-advertised, far beyond a level that present evidence will support" (UNCDF-SUM, 2002). The available evidence is also regarded with distrust, as it is somewhat ambiguous as it consists mainly of anecdotal evidence. Critics also often argue that micro-credit programs do not contribute to the economic development of a country, or even if it does, its contribution is insignificant.

Muhammad Yunus, founder of the Grameen Bank the forerunner in the micro-credit business, answers to this type of criticism by pointing out that it all depends on one's definition of economic development. Traditional measurements (such as GDP per capita) are not satisfactory or are insufficient in measuring the benefits of micro-credit. For instance, "in many Third World countries, the overwhelming majority of people make a living through self-employment" (Yunus, 1999) Self-employment, or more generally the informal sector is not given a real place in traditional economic framework. Micro-credit programs, that have a history of fostering the informal sector, will not have their benefits included in measurements that do not take this into account, or systematically underestimates the contributions of the informal sector. Part of the issue is also the fact that these services were previously unavailable to the poor. Micro-credit makes credit services available to marginalized populations.

This paper examines how micro-credit programs are being applied in the country of Ethiopia to effectively help combat poverty. This paper argues that providing a number of small credits (varying from $10 to $500) to the world's poorest population (defined as earning less than a dollar a day) is a very effective development strategy. This paper will show that the effect significantly increases both the livelihood of individual recipients of the loans as well as the general community in which they reside. Micro-credit is positioned as part of a number of new and innovative methods for enhancing the development process of Least Developed Countries (LDCs)[3]. Development in this case is defined, not purely in terms of economic indicators, but includes social development. The benefits of micro-credit programs cannot be fully expressed if the expected outcome is defined as narrowly as the sole alleviation of *economic* poverty. The definition of development extends beyond economic development, as there are many forms of poverty, economic poverty being only a single form.

The specific question this paper seeks to address is in regards to the overall effect providing micro-credit to the poorest segments of a developing country's population can have on the development of a country. Ethiopia will be presented as a case study from which general lessons can be extracted and applied to other poor countries. A summary of the socio-economic situation in the country will illuminate any specific considerations that need to be taken into account in terms of implementing micro-credit programs in Ethiopia. Moreover, current replication endeavors will be examined as examples, and the expected outcomes discussed.

SOCIO-ECONOMIC INDICATORS

In order to properly debate the need for micro-credit programs in Ethiopia, it is imperative to understand the present socio-economic situation in the country (Table 1). Primarily, it is essential to note that for the period 1990-2001, 98.4% of Ethiopia's population lived on less than $2 a day, and 81.9% on less than a $1 a day (UNDP-HDR, 2003). These

Table 1: Socio-economic indicators

	Ethiopia	Sub-Saharan Africa	Least Developed countries (LDC)
GDP per capita (constant)	95	475	280
GDP per capita (PPP US $)	810	1831	1274
Gini coefficient (index)	57.2	..	..
life expectancy at birth (yrs)	45.7	46.5	50.4
infant mortality per 1000 live birth	116	107	99
undernourished population (%)	44	33	38
adult literacy (%)	40.3	62.4	53.3

Source: UNDP-HDR, 2003

numbers, one of the highest in the world, testify to the massive poverty throughout the land. Ethiopia's Human Development Index (HDI) rank is 169 (out of a total of 175), thus placing it near the lowest end of the development spectrum[4]. Ethiopia's GDP per capita was US $ 95 in 2001. Although, measuring GDP per capita in constant terms is the general practice, calculating GDP in terms of PPP corrects for differences in exchange rates and prices differences across countries, which allows for comparisons of real outputs and incomes. Ethiopia's GDP per capita measured in PPP (Purchasing Power Parity) was US $ 810 in 2001. GDP/capita does not however take into consideration the distribution of income within the country; therefore, the Gini coefficient, or index, one such measure that takes into account the deviation of incomes from perfect equality, shows an index of 57.2, which places Ethiopia at the high end[5].

Ethiopia's population is highly concentrated in rural areas: out of a total population of 67.3 million, only 15.9% are urban dwellers. The main source of activity and income in rural Ethiopia is agriculture as manifested by the fact that 88% of all females, and 89% of all males are employed in the agricultural sector. The majority of the poor in Ethiopia are thus the rural poor, mainly subsistence farmers. The concentration of the Ethiopian population and focus on subsistence farming makes the country a perfect candidate for micro-credit programs.

Considering purely economic measures such as a country's GDP per capita, and income distribution, are only the beginning steps in identifying a country's relative human/economic development. It is essential to keep in mind that economic development does not necessarily equate with human development. Social development also needs to be considered in order to have a fuller picture of the situation within a given country. Health and education are generally used as the principal indicators of social development. In order to measure health, we can consider the following indicators: life expectancy at birth, infant mortality, under-nourished population, and lastly, access to potable water, or improved water resources.

Ethiopia is part of a group of countries defined as Least Developed Countries (LDCs), which groups together all the countries that place at the lowest end of the international stratification. The implication is that these countries, including Ethiopia generally fare badly on most of the above-mentioned indicators. In the case of Ethiopia, the life expectancy is at the lower end, at an average of 45.7 years, whereas, infant mortality is high at 116 per 1,000 live births. The under-nourished population, defined by UNDP, as people whose food intake is insufficient to meet their minimum energy requirement on a *chronic* basis, is at 44%.

The population with sustainable access to an improved water source shows a wide difference between rural and urban areas (Table 2)[6]. In rural areas, there was a decrease from 17% in 1990, to 12% in 2000, whereas, in urban areas, there was not much variation as the population with sustainable access to an improved water source went from 80% in 1990 to 81% in 2000. The decrease in rural areas could be due to various factors such as the civil war at the beginning of the decade, an increase in population, or a decline in economic growth.

Literacy, or in more general terms, education is essential to consider when examining the

Table 2: Population with sustainable access to an improved water source

	Rural		Urban	
	1990	2000	1990	2000
Ethiopia	17%	12%	80%	81%
Sub-Saharan Africa	39%	44%	86%	83%

Source: UNDP-HDR, 2003

human development of a country because it is evidence of the present development levels as well as the potential for further growth and improvement. Ethiopia's adult literacy, defined as the population aged 15 and above who can read and write, is rather low at 40.3%, with a disparity between males and females at 48.1% and 32.4% respectively. The disparity in literacy between men and women is revealing of a larger socio-economic problem of gender inequality. It thus becomes pertinent to consider the GDI or Gender Related Index, a composite index capturing a wide array of indicators adjusted to account for inequalities between men and women, especially in regards to a program such as micro-credit, which has a history of enhancing gender equality.

It can be argued that gender equality is a highly subjective choice that is mostly reflective of one's own culture or worldview. Some cultures outline the role of women in society as radically different than what westerners might consider to be the norm. This argument, however, neglects that the women in those particular societies did not necessarily have the freedom to choose their lifestyles. Impeding on any member of society's freedom to choose their own lifestyle, regardless of gender or race, should be considered to be a violation of their human rights. It is, therefore, pertinent to consider gender equality when analyzing a country's economic and *human* development. Ethiopia places among the lower end of the GDI at 0.347. Gender inequality can further be examined by looking at income earned. The estimated earned income in PPP (US $) for the period of 2001 was $550 for women and $1,071 for men. Accordingly women earn half as much as men. Similarly, the disparity between male and female is visible in education where the combined primary, secondary and tertiary gross enrollment ratio was 27% for women, and 41% for men (2000-01). The disproportionate access to education is a cause as well as consequence for the lack of gender equality in Ethiopia.

There are numerous reasons to advocate the program of micro-credit in a country such as Ethiopia. Primarily as mentioned earlier, most of Ethiopia's population is concentrated in rural areas, and consequently marginalized. Programs such as micro-credit, which work from the grassroots, can reach these populations. The sheer amount of widespread poverty also makes it less likely that the government can reach everybody. In a population where 89% lives on less than a dollar a day, initiatives from non-governmental sources become crucial. Furthermore, top down approaches have historically proven not to be very effective, and some even have had negative results when it comes to improving the livelihood of the poorest of the poor. For instance, Structural Adjustment Programs (SAP) drafted by and imposed by the IMF and World Bank have resulted in the weakening of the social services fabric for many (Cavanagh et al., 2002). Through the extra liquidity families will have available to them through programs such as micro-credit's income generating activities, the negative and even detrimental effects of SAP programs can be lessened. At the least, micro-credit programs can provide temporary relief from macro-level structural changes.

Micro-credit's benefits are nevertheless not limited to providing temporary relief. As stated above, micro-credit programs have an advantage in their ability of reaching marginalized populations, out of which women make up a significant portion. Micro-credit programs have discovered that working through women makes for a better investment both in terms of recovering the initial sum, and also on impacting the welfare of the family as a whole. Women's focus of well-being revolves around herself and her children, thus by providing micro-credit services to women, we can insure a better tomorrow. Moreover, in a society where gender equity is not obvious, the empowerment of women can also significantly impact the society, and as gender equality is part of the definition of social development, the overall development of the nation can be improved.

As we have seen above, Ethiopia's economic activity revolves around subsistence, mainly subsistence farming. Moreover, informal activity makes a relevant portion of the poor's economic activity Micro-credit has an incentive to enhance this informal activity/sector as it supports activities such as petty trading. By enhancing the informal sector's activities, micro-credit programs are enhancing the livelihood of those making a living out of these types of activities. This aspect of micro-credit is highly praised by liberal economists, which seek to reduce the involvement of the government and increase activities in the private sector (Morduch, 1999).

CASE STUDIES

To gather information first hand about micro-credit programs in Ethiopia, I visited two programs, which function under the guise and direction of larger NGOs[7]. These NGOs are both based and operate in the capital city of Addis Ababa, which may reflect a mismatch of practices as the majority of Ethiopia's population lives in rural areas. It is also hard to estimate the number of micro-credit programs presently in operation in Ethiopia as many operate under the guise of larger NGOs and do not specifically qualify their work as micro-credit, but as components of larger programs. However, several programs from Ethiopia have also participated in the Summit and presented their figures to be verified by the Campaign. Table 3 gives an overview of those figures.

These numbers given at the Summit are not to be taken at face value, as most of these micro-credit institutions deviate from traditional micro-credit wisdom. The types of collateral they require, their lack of emphasis on women borrowers, and so forth puts them somewhat at odds with traditional micro-credit practices. Nevertheless, they do serve as good points of comparison. The micro-credit programs working under the guise of larger NGOs more closely resemble traditional micro-credit practices.

A key component when discussing NGOs in Ethiopia is the role and activities of the CRDA organization. CRDA (Christina Relief and Development Association) is an umbrella organization encompassing over 230 NGOs. An executive member of CRDA organization provided me with a list of their member NGOs, from which I selected a few with which to visit and work. My research focuses on two NGOs which included micro-credit program in their overall development projects. These are Wesmeco (Welfare for Street Mother and Children Organization) founded by Ato Eshetu, and Mary-Joy Aid through Development, founded by Sister Zebider. I met with representatives of each NGO, primarily the founders, and the staff, and numerous beneficiaries. My contact with the donors of both NGO has been very limited, as I only had the chance to meet potential donors' representatives who came to inspect the work being done before singing off on aid funds.

MARY-JOY'S PROGRAM

Mary-Joy is a self-proclaimed "non-

Table 3: Micro-finance programs in Ethiopia

	Poorest clients as of 31 Dec. 2002	Total Active Clients as of 31 Dec. 2002	% of Poorest Clients that are Women
Amhara Credit and Savings Institution	255000	255000	38
Dedebit Credit and Saving Share Company	208890	208890	35
Omo Microfinance S.C.	65448	65448	35
Oromia Credit and Savings Loan	59324	88486	40
Addis Credit and Saving Institution	10680	12565	72
WISDOM Micro Financing Institution	10524	10508	29
Gasha Micro-Financing S.C. (Pro Pride)	2097	4193	75

Source: Microcredit Summit Campaign Report (2003) religious and non-political humanitarian organization" established in 1994 by Sister Zebider Zewdie (MJ, 2001). It is located in the western part of the city of Addis Ababa, in a locale known as Asco kefle ketema. The organization started out with the aim of "providing basic health care services to the most disadvantaged groups in the community with primary emphasis to mothers and children" (MJ, 2001). After two years (1992-94) of operating the health-oriented program, Sister Zebider realized that "the problem of children and mothers go beyond health and are intrinsically related to poverty" and thus in 1994, the Integrated Urban Community Based Development Programme through participatory approach was born (Pers. Comm. 2003). It comprised of three main components, which are: health and environmental sanitation; education and social promotion, and micro-credit schemes in target area. The components of the development program highlight the broader issue undertaken by the NGO to "reduce the socio-economic vulnerability of children, mothers, families and communities within its area of operation through the application of an Integrated Development Approach based on genuine community participation" (MJ, 2001). MJ staff work in ten counties where they have environmental sanitation projects, orphan support, home-based care and counseling, health care and free clinic.

The main idea behind Mary-Joy's (MJ) micro-credit program is to empower the people, and transform the prevailing mindset of always relying on grants and aid in general. MJ believes that people in developing countries, and especially poor Ethiopians, are used to the idea of receiving "free money" which does not encourage industry, and keeps the country and its people enslaved to aid. Thus, MJ wanted to teach their beneficiaries to be self-sufficient and not rely on the handouts of others. The micro-credit program was born.

Credit was accorded mainly to women to start an income generating activity such as petty trading. The loans the women received vary from b100 to b4000, which is the equivalent of $11 to $465[8]. The loans have to be repaid in general in 1-6 years, depending on the size of the loan. The borrowers undergo a very intensive follow-up by their peers, such as supervision, home-to-home visits, and the like. The women are also required to have a savings account, which the organization helps set up. Each women needs to save a minimum of b5 to b10 per month (depending on the size of her loan), which begins immediately after receiving the loan. The number of loans disbursed at the time of my research was 388 loans to 388 different women. The total savings of the women up to date amounts to $34,000 or $3,953, a considerable sum under the circumstances.

The program further encompasses: training on basic business skills (marketing, cost assessment, sales, and so forth); business plan preparation and post loan strategies; work-place visits; possibilities and advice on petty trading activities; experience sharing (the women get together regularly). Mary-Joy admitted that it is hard to assess the overall impact of the program in purely quantitative terms; however, the women have been able to make a number of small improvements to their daily lives that may seem petty or insignificant to a person from the western world, but are significant amelioration of their lives. The benefits of the economic empowerment of the woman follow some of the general patterns of micro-credit programs, but some are specific to Mary-Joy's program. Primarily, the women are able to feed themselves and their children, which is viewed by most as the biggest blessing, as meeting basic needs is hard. This has the added benefit of preventing homelessness of mother and children, which is in effect preventing mother and children from ending up as beggars on the streets. Furthermore, the women are able to improve on their homes by purchasing household items such as furniture, kitchen utensils, and the like. Similarly, the borrowers are able to get access to potable water, and electricity, sanitary latrines in their homes, as well as building extra rooms for rents, further generating income.

In general, the women are able to hold the family together, as the women are mostly divorced or widowed, but even those that are married, the husband is incapable of providing for the entire family. Through the micro-credit program, the social cohesion of keeping the family together is maintained. One of the biggest accomplishments, praised by the beneficiaries of the program is its confidence building aspect, as the women realize that they are not powerless as poor women because they are able to work and earn an income. In terms of gender relations, most of the beneficiaries are divorced or widowed, but all want to be married, not for the added income, but more for social reasons as marriage is a socially desirable institution. The men were not portrayed as being intimidated by the economic responsibility of the women. In fact, the program includes two male borrowers.

So far, not a single person failed to pay back their loan in the program's four years history. MJ credits this success to two major reasons. First, intensive background checks are preformed on anyone entering the program, and secondly, the women understand that if one person fails, the group members are responsible to pay back the debt, therefore all take ownership and cooperate at the highest levels (social cohesion). The program also needs to be self-supportive as it is no longer dependent on outside support. Therefore, the women understand that savings and making a profit are necessary if they are to have a continued and sustainable access to these financial services.

WESMECO (WELFARE FOR STREET MOTHERS AND CHILDREN ORGANIZATION)

Wesmeco is an NGO located in Arada Kefle Ketema, in the central part of the city of Addis Ababa. The organization refers to itself as an "indigenous, non-governmental, non-profit, humanitarian aid organization" (Wesmeco, 1999). It was founded in 1997 by a group of "dedicated people" from diverse social, economic and religious backgrounds, with the objective of "alleviating the socio-economic problems of street mother, elderly women, and street children in Ethiopia, in collaboration with different governmental offices, the community, beneficiaries and other international and national non-governmental organizations" (Wesmeco, 1999).

Wesmeco employs around 38-40 employees, full-time and part-time, at any given moment. The NGO has so far been able to carry out 28 projects in its 6-year history, varying from very ambitious ones to pilot projects. The focus areas of Wesmeco include four main headings, which are as follows: Health (HIV/AIDS and reproductive health); Social infrastructure development (mainly water supply and sanitation); education (formal and non-formal); and skill training. The focus areas are derived from the organization's self-imposed vision of a prosperous country without homelessness and where there is food security and the health status of the community and the lives of women and children are greatly improved. Out of these goals and focus areas arise projects such as women's empowerment. In their women's empowerment projects, Wesmeco works to eliminate harmful traditional practices, and provides health education on childbirth, unwanted pregnancies, and training for traditional pregnancy attendants. Furthermore, Wesmeco encourages the formation of income generating activities through programs like micro-finance.

Wesmeco's program is very similar to that of Mary-Joy, but on a much smaller scale. The founder of the NGO had heard about financing income-generating activities for their beneficiaries through a system of micro-credit, and thus wanted to try out the idea. It started out as a pilot project to test the proposed hypothesis and promise of micro-credit. The micro-credit program is situated under a more general goal of women's empowerment, through involvement in the economic, social and political realms of life.

Wesmeco starts by opening savings account for all it beneficiaries, and trains them in regards to savings, income-generating activities such as petty trading, crafts, and introduces them to the system of micro-credit. Wesmeco also researches the type of activities that will bear the most amount of revenue, and thus enable the ladies to become self-sufficient. Although this list is available to the borrowers, they are in no way obligated to choose one of the proposed activities, as they can do their own market research and present a proposal. The market research does not include anything more sophisticated than going around the neighborhood in which these women live and ask what is lacking in terms of services or locally produced goods. This method is based on the belief that the community is its own best judge of its needs and wants. It also further engages the community and ties their well being together with the women beneficiaries of Wesmeco's micro-credit program. The general community also serves as an unofficial monitoring system for the organization.

The particularity of Wesmeco's program is that it starts out by granting sums to the beneficiaries that they are not expected to pay back to begin the income-generating activity. The grants vary from US dollars \$58 to \$116, depending on the type of activity the women chose to engage in. After the initial sum is disbursed to them, the women have available a steady stream of credit which they use to build up their enterprises. The loans vary from US dollars $22 to $581 maturing at varying rates depending on the size.

Wesmeco does not necessarily require group formation, but highly encourages it. Monitoring is done through the involvement of the community as well as other borrowers, whether they form a group or not. The benefits the borrowers report are very similar in nature to that of Mary-Joy's borrowers: the women are able to meet their basic needs as they can feed themselves and their children; they are able to improve on their homes by purchasing household items such as furniture, kitchen utensils, and the like; they are able to get access to potable water, and electricity, sanitary latrines; their confidence level is gained or regained, as the case may be, and so forth.

So far, everyone has been able to pay back their loans; however, it is important to keep in mind that Wesmeco's program is still in its infancy, and deviates somewhat from traditional micro-credit wisdom by disbursing a large sum at the beginning of the program, which the beneficiaries are not expected to pay back. This allows for extra liquidity to first set up the enterprise, but also to have a sort of cushion if business is not lucrative. At the time of my visit in July 2003, the total number of beneficiaries of Wesmeco's micro-credit program was 26 women.

CONCLUSION

Micro-credit's promise is alleviating poverty through the provision of financial services previously unavailable to the poorest populations. By expanding the economic opportunities and involvement of the poor, micro-credit endeavors to reduce the economic and social vulnerability of its poor beneficiaries. The expected outcome from these programs is not much different from the general expected benefits of micro-credit programs. Primarily, the poor will be able to participate in the productive activities from which they are often excluded. Their income level will be increased based on the self-employment activities, and the informal sector would as a result be strengthened. The poor will also be more resilient to macro-level structural change that generally takes away social support. These benefits of micro-credit point to micro-credit programs as useful and effective development instruments, and the anecdotal evidence seems to suggest that that is the case. However, there needs to be larger scale empirical research on the subject before a definitive verdict can be passed on its effectiveness in combating poverty.

It is also unwise to take a micro-level enterprise such as micro-credit schemes and suggest that it would be just as effective if applied across the board on a macro level. The Grameen Bank in Bangladesh is the only program worldwide that comes close to being qualified as a national program. Other programs elsewhere in the world are very localized, and serve only a statistically insignificant number of people. To reiterate what critics have repeatedly pointed out, it is not clear "if the extent to which micro-credit has spread, or can potentially spread, can make a major dent in global poverty" (UNCDF-SUM, 2003). One concern that would arise when considering the possibility of systematically applying micro-credit programs on a national level is saturation of the market. Micro-credit schemes heavily rely on providing low-cost, labor-intensive products to surrounding communities. The needs of the communities for those particular types of goods are however limited. Therefore in this case, micro-credit programs need to undertake more ambitious activities (where it will no longer be *micro*-credit).

Precisely defining economic development can also be a concern when attempting to quantify or measure the outcome of a development strategy. Depending on how narrow or how inclusively economic development is defined, the effectiveness of micro-credit as an effective development instrument can greatly vary. For instance, if we broaden our definition of economic development to also consider issues of choice, micro-credit program become essential in providing services previously unavailable to the poor. Micro-credit programs thus become ends in themselves, and are not perceived just as means of development. If on the other hand, economic development is constricted to what can be measured by traditional economic measures (such as GDP per capita), the benefits of micro-credit would almost be non-existent.

Micro-credit programs have a history of correcting for gender equity within households and in the general community. The added income of the female in the house can be a source of bargaining power, and a source of autonomy. Although micro-credit programs do increase the economic power of female members of the society, they generally have the tendency to usher their female beneficiaries into activities traditionally reserved for women. The long-term effect would thus be minimal, if correcting for gender equity does not include opening up traditionally male productive activities (which are generally capital-intensive, and have a higher yield on the market). As previously mentioned, there is also a mismatch of practices as most of Ethiopia's micro-credit programs are located in urban areas, whereas micro-credit has traditionally been focused in rural and agricultural (subsistence farming) areas. It may thus be difficult to replicate these programs at a rural level in Ethiopia. A question of the sustainability of the programs also arises. Although numerous programs can achieve operational sustainability, covering their own administrative cost, reaching a level of financial sustainability, including cost of funds, is rare.

Muhammad Yunus argues that although micro-credit is not a miracle cure, it can end poverty for many and reduce its severity for others when "combined with other innovative programs that unleash people's potential, [it can serve as] an essential tool in our search for a poverty-free world" (Yunus, 1999). In the case of Ethiopia, the two case studies demonstrate the potential of micro-credit as a development strategy. While the programs need much more detailed evaluation before they can be called successful, they nevertheless point towards a positive intervention in the cycle of poverty. They are making a small but important contribution to alleviate poverty and promoting gender equality in Ethiopia.

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END NOTES

1- Numerous advocates have championed micro-credit as a good development tool. For more information, refers to Biggs, Stephen and Matsaert, Frank R., Calavan, Kay, HI Latifee and Muhammad Yunus, Rodriguez-Garcia, Rosalia, Langdon, Karen and Richardson, Pat.
2- Top-down approaches over the past years have been unsuccessful. The most poignant and widely debated program being IMF' and World bank's SAP (Structural Adjustment programs) The problems encountered by these programs stems mainly from a lack of understanding of the local situation, which grassroots apporoach programs, such as micro-finance, can correct.
3- LDCs (Least Devloped Countries) include 49 countries or areas which fare the lowest on the international stratification used by the United Nations.
4- HDI is a composite index measuring average achievement in basic dimensions of human development; GDI is also a composite index measuring average achievement in the basic dimensions captured in the human development index adjusted to account for inequalities between men and women.
5- A value of 0 represents perfect equality, whereas a value of 100 represents perfect inequality; Namibia has the highest Gini coefficient at 70.7, followed by Sierra Leone at 62.9.
6- Sustainable access to an improved water resource refers to the percentage of the population which has access to Improved water resources which include piped water, a public tap, and more traditional sources such as a protected well, or a protected spring or rainwater. The emphasis of this measure is access to drinkable and protected water source, which is necessary to ensure the health of the population.
7- My research was conducted in June and July 2003.
8- Exchange rates set at $1=b8.6 in June and July 2003.