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Financing Microenterprises Led by Women

In Jordan, the success of a project co-funded by IFAD largely rested on how quickly rural women were able to learn about borrowing money and setting up and running their own small enterprises.

In Yarmouk – a region in the north of Jordan next to the border of Syria – arid land, chronic water shortages and deteriorating natural resources have increased hunger and poverty. IFAD, the OPEC Fund for International Development (OFID) and the Abu Dhabi Fund launched a project to address these conditions and to enhance food security and increase incomes. The project paid considerable attention to women, first by actively promoting the inclusion of households headed by rural women. And, more innovatively, by establishing within the Agriculture Credit Corporation (ACC) an income-generating line of credit that provides medium-term loans to help rural women develop on-farm and off-farm microenterprises.

Country:
Jordan

Direct Beneficiaries:
Poor rural women

Results:

- About 750 women gained access to microcredit to establish rural microenterprises, and over 77 per cent of them are still operational, with loans being repaid regularly.
- Over 91 per cent of the established rural microenterprises are led by women and cover diverse income-generating activities (e.g. dairy, lamb and poultry production).
- For 38 per cent of the women beneficiaries, rural microenterprises represent the predominant source of income – ranging from an average of US\$2,500 per year for 75 per cent of the beneficiaries to an average of US\$4,200 for 25 per cent of them.

Main Lessons:

- Coaching and skills development of rural women in entrepreneurship are needed for viable microenterprises.
- Quality control of produce is also a continuous need to assure the viability of microenterprises.
- Programmes focused on lending activities should never overlook the key role that marketing plays in determining the financial viability of beneficiaries' projects.



BASIC INFO

Sources:

A Case Study of Yarmouk Project in Jordan (IFAD/IDRC/KariaNet Proceedings of the 3rd Annual Thematic Workshop, 2007)

Project Name:

Yarmouk Agricultural Resources Development Project

Project Starting Date:

2000

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WEB PAGES

IFAD operations in NENA and CEN:

<http://www.ifad.org/operations/projects/regions/pn/index.htm>

IFAD learning notes:

<http://www.ifad.org/rural/learningnotes/index.htm>

KariaNet:

<http://www.karianet.org/>

IFAD case studies:

<http://rpr.ifad.org/node/208>
(username and password: "guest")

Background

Jordan is a chronically water-scarce country, and less than 5 per cent of the land is arable. About 19 per cent of the rural population is classified as poor.

In the late 1990s, a socio-economic survey was conducted in the Yarmouk region – in five districts in the Governorates of Ajlun, Irbid, Jarash and Manraq. The survey revealed that women’s share in tilling operation was high, ranging from 44 per cent to 60 per cent in the districts. They also participated in picking olives, hoeing and taking care of livestock. Women did participate in decision-making in the family, but only when decisions concerned family-related issues.

The survey also showed that many women wanted to set up agricultural projects – such as growing medicinal plants or breeding livestock – in order to increase their family’s income. However, many of them did not want to take out loans: only 15 per cent of women in the poorer Irbid and Ajlun Governorates, 49 per cent of women in Manraq and 50 per cent in Jarash applied for loans. Most women claimed that they preferred not to take loans because of: 1) lack of familiarity with borrowing; 2) lack of collateral; and 3) fear of being unable to repay the loan.

In 2000, in order to reverse this situation, IFAD – along with OFID and the Abu Dhabi Fund – launched a project in the Yarmouk region, with a particular focus on the most vulnerable households – and women – selected from among 90 villages that were threatened by soil erosion and water scarcity. The project’s goal was to improve their food security and increase their income-generating ability in a sustainable way.

The Learning Curve for Borrowing

A particularly innovative aspect of the

project was that it promoted the setting up of financially viable microenterprises by women. The Agriculture Credit Corporation (ACC) established an income-generating line of credit for rural women. Each qualified woman received a medium-term loan of up to 1,000 dinars (the ceiling was recently raised to 3,000 dinars).

In its first phase, the project concentrated on familiarizing rural women with borrowing. Seminars and advocacy meetings were held in cooperation with charity organizations, women’s unions and local councils. Five female agricultural engineers were employed in field units as rural development educators, in order to help women benefit from the project, and to follow-up the implementation of their activities.

In addition, the rural development educators, in coordination with agricultural credit supervisors, carried out field visits to project locations where women had requested a loan. The visits were made to evaluate project viability, family situation and implementation needs and capacities. Each woman who was granted a loan was required to attend a training course on various technical and administrative aspects related to implementing her project. Once all the qualifications for receiving a loan were satisfied, the amount of the loan was determined. Money was granted in the form of subsidized loans, with an interest rate of 6.5 per cent over eight years, with little or no collateral.

From Field to Market

In 2005, a field study was carried out to determine whether the financed projects were truly viable. The study revealed that most of the projects did perform as expected and were increasing the income of women beneficiaries. However, a minority of them had to be discontinued

because of difficulties in marketing products. These difficulties accounted for 55 per cent of projects that were discontinued.

In order to avoid such marketing problems, the project was promptly adjusted. In particular, it: 1) helped beneficiaries participate in agricultural fairs and bazaars in order to exhibit and sell their products; 2) carried out training courses for beneficiaries on marketing and production management; 3) encouraged beneficiaries to modify their production and storage techniques so that products could last longer and be sold when prices were higher; 4) conducted market research surveys; 5) connected beneficiaries to local markets or charity organizations that bought their products; and 6) encouraged women to set up marketing cooperatives.

Replication and Scaling Up

As of January 2009, over 77 per cent of the microenterprises established through ACC lending are still operational, with loans being repaid regularly. In order to enhance the financial viability of future projects that will be financed through a scaling-up of this programme, ACC has recently established a revolving fund credit line for rural microenterprises, and has adopted group lending incentives.

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