

Child Labour and Microfinance in Morocco:

Using Microfinance to Reduce Child Labour and the Case of the Al Amana
Microfinance Institution

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Abstract

Approximately 218 million children are child laborers worldwide.¹ These children work as agricultural workers, prostitutes, handicraft producers, and in virtually in every other form of employment imaginable. But although the problem of child labour has been one of recent international focus, there are still 126 million children involved in some form of hazardous work each year.²

The existence of such statistics can be attributed in part to the complex and multi-faceted nature of child labour. Similarly, the reasons for child labour can range from economic and political instability, migration, lack of work, and/or poor school systems. Therefore, the reduction of child labour requires a holistic governmental and social reform. This paper seeks to address the child labour situation in one particular country, Morocco.

In order to understand the issue of child labour, it is first it is necessary to come to a universal definition of child labour. Internationally, this definition has been created with the aid of two Conventions by the International Labour Organization (ILO). Therefore, the introduction of this paper will begin by giving a brief overview of these Conventions, and will follow by defining important terms.

The first section of this paper will then be devoted to the historical basis and statistical data of child labour in Morocco. It will describe the conditions of child workers in Morocco. The second section will address the attempts by different actors to reduce child labour, including local, national and international actors. Finally, this paper will look at one specific attempt to reduce child labour, microfinance institutions, and will focus on the efforts of the Al Amana Microfinance Institution as a case study.

¹ IPEC. 2006. Hagemann, F; Diallo, Y.; Etienne, A; Mehran, F. *Global Child Labour Trends 2000-2004*. ILO, Statistical Information and Monitoring Programme on Child Labour (SIMPOC), Geneva

² IPEC. 2006. Hagemann, F; Diallo, Y.; Etienne, A; Mehran, F. *Global Child Labour Trends 2000-2004*. ILO, Statistical Information and Monitoring Programme on Child Labour (SIMPOC), Geneva

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Introduction

This paper will start by giving a basic overview of child labour and microfinance, outlining important terms and facts.

a. Child labour

The International Labour Organization has published two main conventions with the goal of eliminating child labour worldwide. The first of these conventions is *ILO Convention 138 Minimum Wage Requirements*. Ratified in 1973, this document establishes the minimum age for employment at 14 years of age for developing nations. Additionally, this document establishes restrictions for children involved in “light” or “hazardous” work, creating eighteen as the minimum age for hazardous work. Here, “hazardous” work is defined as any work that infringes upon the physical, mental or social well-being of a child. This includes excessive and/or poor hours of work, and poor or dangerous conditions of work.

The second ILO publication is *ILO Convention 182 on the Worst Forms of Child Labour*, which was adopted in 1999 and to date has been ratified by 150 countries.³ This convention establishes standards for the worst forms of child labour, and places international attention on the elimination of this kind of employment. According to this convention, “economic activity” is defined as a minimum of one-hour per week. This broad definition includes all work, whether paid or unpaid, part-time or full time, casual or regular and/or legal or illegal.

The definition of “child labour” is necessarily much more specific than that of “economic activity.” Although a definition of child labour is yet to be universally agreed upon, the ILO Minimum Age Convention (No. 138) is often quoted in the establishment of this standard. Child

³ ILO Convention and Recommendation Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour. Can be viewed at: <http://www.oit.org/public/english/comp/child/standards/ilo_conv/index.htm>.

labour includes the hazardous labour of children over 15 years old, and long or hazardous labour by children under 15 years old. Additionally, according to the ILO, child labour is any work that:

- is mentally, physically, socially or morally dangerous and harmful to children; and
- interferes with their schooling by:
 - o depriving them of the opportunity to attend school;
 - o obliging them to leave school prematurely; or
 - o requiring them to attempt to combine school attendance with excessively long and heavy work.⁴

In order to enforce these conventions, the ILO established the International Programme on the Elimination of Child Labour (IPEC) in 1992, which is currently active in 90 countries.

Despite this effort, child labour is still a problem on a massive scale. In 2002, the ILO published a study called *Future Without Child Labour*, which is one of the ILO's most comprehensive study on child labour to date.⁵ This report estimated that 218 million children were involved in child labour in 2002. This represents roughly one in every six children aged 5 to 17. Additionally, this study estimates that approximately 170 million children who are less than eighteen years old were involved in some form of hazardous work. Finally, this study concludes that in 2002 roughly 8.4 million children were involved in the unconditional worst forms of labour including slavery, trafficking, debt bondage and other forms of forced labour such as prostitution.

b. Microfinance

Microfinance Defined

⁴ International Labour Organization Website. <<http://www.ilo.org>>.

⁵ ILO. *A Future Without Child Labour, Global Report under the Follow-up to the ILO Declaration on Fundamental Principles and Rights at Work*, International Labour Conference, 90th Session, 2002, Report I

Microfinance refers to the provision of financial services, such as credit, insurance and loans, to the poor. These services are provided by organizations called microfinance institutions (MFIs), which range from NGOs to formal credit unions. Although these institutions started to receive publicity in the 1980s, they were first experimented in Bangladesh in the 1950s.⁶

Targeting- Who Benefits from Microfinance Services

Although microfinance services were designed to target the poor, in actuality they only are able to reach a limited percentage of the poor population. Recent studies have shown that microfinance services are actually ineffective at reaching the ultra-poor, as clients often lack the social capital, training and/or desire to participate in these services. For the ultra-poor, loaning serves can actually create a greater level of debt. As such, microfinance institutions generally benefit either the moderate poor, or the vulnerable non-poor.

Due to a high level of risk and high transaction costs, the interest rates of microfinance institutions are generally higher than those of banks. Transaction costs are generally higher for microfinance institutions as they handle smaller loans than banks. Therefore, microfinance services are generally utilized by individuals who do not have the collateral to gain a loan from a bank.⁷ Again, this shows that microfinance services benefit the poor of a society, while excluding the ultra-poor.

In addition, microfinance clients are often self-employed. In rural areas, they are often small farmers with an income generating activity (IGA), such as the selling of their agricultural goods. In urban areas, these beneficiaries range from artisans to service providers to street vendors. Additionally, microfinance clients are often female heads of households, as women have been proven to have a higher loan repayment rate than their male counterparts.

⁶ The Microfinance Gateway Website. <<http://www.microfinancegateway.org>>.

⁷ Doorn, J. and Churchill, C. (Feb 2004) "Technical Guidelines: Microfinance Against Child Labour." International Labour Organization (ILO): pg 19

Lending Services

Microfinance has the potential to reduce vulnerability as it creates additional income and credit for beneficiaries. As such, many microfinance institutions have started to incorporate insurance programs with their services. The majority of attempts have been through microcredit programs, however, which refer specifically to the provision of loans to the poor. The majority of these loans are provided for the purposes of either income generated activities or emergency situations. In both cases, loan repayment is most successful if it is tailored around the expected schedule of income generation. Microfinance institutions may issue loans to either individuals or groups. The following will describe the different kinds of lending programs.

a. Individual Lending

Similar to regular banks, microfinance institutions can issue loans to individuals. These are generally larger than group loans, and are used to establish businesses.

b. Group Lending

Loans are also granted to groups. There are three main forms of group-based lending services: solidarity groups, village banking, and savings and credit associations.

Solidarity groups are one such lending group which generally ranges from four to six persons. These groups provide security for individuals members, as the group guarantees the loans of each individual member. In addition, the group collects repayments, issues loans and deposits saving. Solidarity groups can also provide social or professional support for its members. For example, the Grameen Bank has provided social support groups increasing the social capital of its members. In Latin America, on the other hand, banks have provided business support for entrepreneurs.

A village banks is another form of group-based lending. This bank is a self-standing institution that is comprised of a larger number of individuals than solidarity groups. Participants involved in village banks generally lack the collateral to place individual loans. Instead, each member pays a small deposit to the group, which creates an internal account for the village bank. The group then personally grants loans to members through its external account. Village banks appoint individuals for leadership positions such president and treasurer, and as a whole, are successful in loan repayment because of group peer pressure.

Saving and credit associations are the third group most commonly used for group-based lending. These associations are similar to village banks in that they consist of a larger group of individuals who pay deposits to the group at large. A saving and credit association differs from a village bank, however, in its membership requirements. Saving and credit associations include a necessary savings-component. Likewise, loans are based upon the necessary savings of individuals.

Conditions for Successful Programs

The provision of loans and the creation of credit allow the poor to reduce vulnerability and work their way out of poverty. As such, microfinance institutions provide a promising vehicle for the reduction of poverty. Despite this, microfinance does not work for every society and every market. The success of a microfinance program is dependent upon a number of factors, including the concentration of low-income persons, the mobility of the target group and the risk-level of beneficiaries.⁸ If there is only a small population of low-income individuals in a society, there will not be enough demand to cover the costs of the microfinance institution, for example. Likewise, in mobile or high-risk groups, it is more likely that an individual will walk

⁸ Doorn, J. and Churchill, C. (Feb 2004) "Technical Guidelines: Microfinance Against Child Labour." International Labour Organization (ILO)

away from his or her loan obligations. Other factors that often hinder upon the success of microfinance institutions include the distance from microfinance institutions, and the level of entrepreneurial training of beneficiaries. Therefore, the success of microfinance programs requires prior research of the characteristics of the potential target population.

1. Child Labour in Morocco

This section of the paper will outline the primary reasons for child labour in Morocco and introduce the common characteristics of child laborers in Morocco.

1a. Basic Overview of the Problem

Child labour is a common occurrence in Morocco. According to the most recent Understanding Children's Work (UCW) publication, approximately 600,000 children ages 7-14 are economically active in Morocco.⁹ Additionally, eighty-five percent of these children work an average of 45 hours per week, and work for their families without pay.¹⁰ The majority of these child workers are found within the agricultural sector, and children also commonly work as artisans, in the car-repairs sector and as maids. Child workers in Morocco often work under dangerous conditions, being exposed to chemicals, facing long hours, and being subject to physical and verbal abuse. The loss of their education is often a price paid by the children for having to work, as only 14% of child workers attend school.

1b. Reasons for Child Labour in Morocco

There are a number of factors that contribute to child labour in Morocco. This paper will focus on three of these factors: social influences, financial contributors, and unexpected negative events, also known as shocks. Important to recognize, however, that the causes of the child labour situation are highly dynamic and interlinked, thus the problem cannot be exclusively limited to these three distinct elements. Instead, these factors are fluid and can be linked to a number of other underlying economic, social and political contributors.

i. Social Factors

⁹ ILO-UNICEF-World Bank, *Understanding Children's Work in Morocco*, Pg 1

¹⁰ ILO-UNICEF-World Bank, *Understanding Children's Work in Morocco*, Pg 24

The problem of child labour in Morocco can be linked to social factors such as a lack of social capital, or a poor attitude within the community regarding education. Poor families within a society generally lack the social capital or status to borrow in times of economic difficulty. This attributes to their likelihood to promote child work at a young age. Additionally, for many Moroccan families, education is not a valued commodity when compared to the possibility gaining additional income and experience in the workforce. Instead, child work, especially for boys, is socially acceptable and even promoted. Additional factors attributing to child labour include difficult access to schools and poor quality of education.

ii. Financial Factors

Child labour in Morocco can be linked to financial factors within the nation. During the 1990s, the level of poverty within Morocco rose significantly, and the number of families living near the poverty line increased¹¹. As a result, Moroccan families with children faced the dilemma of either continuing to place their children in school, or putting their children into the workforce and earning additional income. Schooling often comes with high fees, and with no guarantee of a job. Therefore, although Moroccan law requires that all children aged 7-14 attend school, an estimated 1.3 million children do not attend school.¹²

In addition to the conflict of having to choose between an additional income and education, to date there is no cash transfer schemes in Morocco to provide income support to poor families with children¹³. The lack of governmental subsidy assistance frequently influences the decision of families in choosing child labour over education. As the poverty of families with children has risen, this has led to the third factor contributing to child labour in Morocco, namely shocks and vulnerabilities.

¹¹ ILO-UNICEF-World Bank, *Understanding Children's Work in Morocco*

¹² ILO-UNICEF-World Bank, *Understanding Children's Work in Morocco*, Pg 2

¹³ ILO-UNICEF-World Bank, *Understanding Children's Work in Morocco*, Pg 2

iii. Coping with unexpected negative events

A third factor attributing to child labour in Morocco is the inability to withstand sudden and unforeseen economic difficulties. Shocks, or events such as a death in the family or an agricultural drought, place particular economic strain upon the poorest. In the same way, a family mired in poverty is less able to sustain itself in the case of an unexpected event, as it does not have the economic stability to help it in the time of difficulty. Therefore, resistance to potential hardship can be added through either financial savings or insurance. But as most Moroccan families do not possess either of these securities, the onset of a shock brings more drastic consequences. Without insurance, families are much more likely to withdraw children from school in the case of a poor agricultural season, for example.¹⁴

1c. Characteristics of Child Workers in Morocco

As a result of these and other factors, approximately 600,000 children in Morocco are economically active. The following section will introduce these child workers by explaining where they are generally employed, and the conditions of their work

i. Agricultural Workers

Approximately 84% of child laborers work in the agricultural sector.¹⁵ Contrary to popular belief, girls more commonly work within this sector, as boys are often sent out to work for commerce or other industries. Children working with cultivation of crops and/or livestock within the agricultural sector often work 43 hours per week, with the exception of peak seasons when they will work more.¹⁶ Typical work of these children involves feeding livestock, preparing the fields, tending crops, and harvesting and transporting goods.

¹⁴ Beegle, Kathleen, Dehejia, Rajeev H. and Gatti, Roberta. June 2003, "Child Labor, Income Shocks, and Access to Credit" (June 2003). World Bank Policy Research Working Paper No. 3075.

¹⁵ ILO-UNICEF-World Bank. *Understanding Children's Work in Morocco*

¹⁶ ILO-UNICEF-World Bank. *Understanding Children's Work in Morocco*

In many cases, working conditions of agricultural workers are considered among the Worst Forms of Child Labour. This is because children are often responsible for handling pesticides and other harmful chemicals which can cause cancer or other health problems. Additionally, as farms are becoming increasingly industrialized, children are at risk of handling dangerous machinery.

ii. Handicrafts

The handicraft industry is also a major area of work for children. In 2000, there were approximately 36,000 children working in this capacity.¹⁷ Within this sector, girls often weave rugs, while boys produce pottery, metal and other ceramic products. Children working in this profession face long hours and often receive physical and verbal abuse. Boys are exposed to a number of dangerous chemicals, such as lead exposure within the ceramic industry, acid exposure within the metal industry and fume exposure within the pottery industry. An area of recent international focus has been the carpet industry, where children often handle dangerous machinery. Roughly 29.8 percent of these child workers are unpaid, which is second only to domestic workers.¹⁸

iii. Car repairs

Another common profession for boys is within the car repair industry, where approximately 6000 children work under dangerous and difficult conditions.¹⁹ Children working in this industry serve as apprentices to mechanics, assisting in basic tasks and handling dangerous substances. Additionally, children within this industry often face physical and psychological violence and are regularly exposed to excessive noise.

iv. "Petite Bonnes"

¹⁷ ILO-UNICEF-World Bank. *Understanding Children's Work in Morocco*

¹⁸ ILO-UNICEF-World Bank. *Understanding Children's Work in Morocco*

¹⁹ ILO-UNICEF-World Bank. *Understanding Children's Work in Morocco*

“Petite Bonnes” are house maids, almost unilaterally comprised of young girls. Petite bonnes are in charge of household cleaning, taking care of the children of the house, preparing dinner, and other household chores. Work as a petite bonne is often arranged by a girl’s parents, although in some cases a third party broker is arranged.

According to a joint ILO-UNICEF-World Bank study in 2004, child domestic workers are “the most vulnerable group of urban workers.”²⁰ Petite bonnes often face physical and verbal abuse from their employers. Additionally, domestic employment has the highest form of unpaid labour, with roughly 72 percent of girls not receiving pay from their employers.²¹ Instead, girls are paid in the form of used clothes and housing. In the case that the girl requires medical care, money is deducted from a girl’s pay without permission, often causing strained relationships between the girl’s family and her employees.

Conditions as a petite bonne can be extremely poor, as girls are subject to the orders of their employers. In recent cases documented by the Human Rights Watch, girls have reported working conditions that include sleeping on the kitchen floor, not receiving their days off, and not being allowed to eat after breaking a Ramadan fast. Additionally, sexual abuse has been frequently reported amongst these girls.

2. Efforts to Reduce Child Labour in Morocco

Although attempts to reduce child labour in Morocco have been abundant, there has yet to be an efficient, unified effort among organizations. This paper will focus on the actions of various organizations, particularly trade unions, international organizations, governments, and NGOs, all of whom have the goal of reducing child labour.

²⁰ Samira, M. Inside the Home, Outside the Law: Abuse of Child Domestic Workers in Morocco *Human Rights Watch Publications*. December 2005 Vol. 17, No. 12(E)

²¹ ILO-UNICEF-World Bank. *Understanding Children’s Work in Morocco*

2a. Dutch Trade Unions

Although trade unions have been frequently restricted by the government, in recent years, Dutch trade unions have been a source of activism by lobbying for the elimination of child labour in Morocco.²² These unions have taken a holistic approach to eradicating child labour by advocating for improvements within the school system, calling for additions of family services by the government, and for the capacity building of Moroccan officials. But although these unions have increased the public knowledge about child labour, they have yet to be a major catalyst for institutional reform.

As such, trade unions work primarily to increase the public awareness of child labour in Morocco. For example, unions such as the International Trade Union Confederation (ITUC) have been established to educate the European community regarding this issue. As many young Moroccans live in Holland, this trade union seeks to “[combine] international solidarity with what is happening [in Europe]”.²³ Dutch trade unions also work in the Netherlands by organizing campaigns such as the “Stop Child Labour- and School is the Best Place to Work” campaign, and by facilitating group visits to humanitarian-aid programs in Morocco. Additionally, the ITUC promotes the education of teachers in Morocco of the rights of children. Despite its efforts, however, the influence of Dutch trade unions has yet to reach Europe at large, and these unions have not been a large threat to the Moroccan government.

2b. UNICEF/IPEC

Additionally, the United Nations Children’s Fund (UNICEF) has been a major player among international organizations in the reduction of child labour. Since May of 2002, UNICEF

²² US State Dept. Morocco. 4 March 2002. Country Reports on Human Rights Practices. Bureau of Democracy, Human Rights, and Labor

²³ Grumiau, Samuel. 22 Jan. 2007. “Spotlight Interview with Judith Ploegman, President of FNV-Jong.” International Trade Union Confederations.

has been responsible for implementing programs to improve and promote education, protect vulnerable children, improve the health of women and children, and provide assistance to children in rural areas.²⁴ In Morocco, primary education has risen by over 30% in the past 10 years, and the disparity between girls and boys receiving education has decreased from 14 to 5 points. At the same time, only 4 out of 10 children finish primary school and about 50% of young girls aged 15-27 years old in rural areas are illiterate. Consequently, UNICEF has focused its efforts on increasing the percentage of girls attending primary school, and improving the overall conditions of families in Morocco.

To accomplish this, UNICEF has expanded a program by National Initiative for Human Development called the Communal Development Plan for Children (PDCE), which includes training and aid for the marginalized, and targets roughly 360 rural communes or 3.5 million people.²⁵ UNICEF reports that between 2002 and 2005, in cooperation with the World Bank and other bilateral donors, an estimated 20,000 children were prevented from dropping out of school. Additionally, through the UNICEF programme, 600 children were removed from the workforce and enrolled into schools in Fez, Morocco.²⁶ With the support of the ILO International Programme on the Elimination of Child Labour (IPEC), this “Fez model” is now being expanded into other regions in Morocco.

The IPEC programme also promotes advocacy regarding Moroccan legislation, seeking the improvement of legislation such as the Labour Code, Family Code, Criminal Procedure, Code of Criminal Procedures and the National Plan of Action for Children. Additionally, it

²⁴ UNICEF “Morocco-UNICEF Country Evaluation.” Available at: <<http://www.mofa.go.jp/policy/oda/evaluation/2004/morocco.pdf>>

²⁵ UNICEF. Information by Country: Morocco Available at: <<http://www.unicef.org/infobycountry/morocco.html>>.

²⁶ UNICEF Information by Country: Morocco. 1 June 2007. “Queen Rania, Eminent Advocate for Children, shares Morocco’s successes” Available at <http://www.unicef.org/infobycountry/morocco_39880.html>.

promotes the enforcement of the Convention on the Rights of the Child, and seeks to increase public awareness regarding children's rights.

Finally, in order to reduce the overall poverty and improve the general living conditions in Morocco, this programme has created partnerships with organization such as United Nations Development Assistance Framework (UNDAF). Together with its partners, UNICEF has set the goal to increase primary-school enrollment for girls at a national level from 84 to 95 percent by 2011. Only by partnering with other institutions will UNICEF be effective in achieving this goal.²⁷

2c. ILO/IPEC

In addition to its support of the UNICEF program, ILO-IPEC has also created the “National Plan and Sectoral Action against Child Labour.” This is an initiative that seeks to support the ILO Conventions 138 and 182 regarding the worst forms of child labour by strengthening the Inspector Labour monitoring, extending legislation regarding child labour, educating actors about child labour, and educating children of their rights. This program has also created an apprenticeship training program for children in the agricultural and handicraft sectors and has benefited roughly 8000 youths since its creation in 1997. Its vocational training system hosts about 40,000 persons aged 15-18 and its internship program targets students in rural areas to be eligible for scholarships. These programs have been widely successful, and instead of establishing its own microfinance institutions, IPEC prefers to establish partnerships with microfinance institutions.

2d. Governments

²⁷ UN Economic and Social Council, Morocco. Available at: <http://www.unicef.org/about/execboard/files/06-PL21_Morocco_ODS.pdf>.

On December 8, 2003, the government of Morocco ratified a new Labour Code. This code increased the minimum working age of children in Morocco from twelve to fifteen years old. This legislation prohibits children from working more than 10 hours per day, including a 1 hour break.²⁸ Children are prohibited from working between 8:00 pm and 5:00 am within the agricultural sector, and between 9:00 pm and 6:00 am within the non-agricultural sector. Additionally, children under 18 years old are not allowed to work in dangerous conditions, including operating heavy machinery or being exposed to toxic chemicals. These legislative efforts have shown an improving and progressive Government effort.²⁹

In 2000, the Moroccan government ratified the ILO Convention 138, Minimum Age for Admission to Employment. Likewise, in 2001 it ratified the ILO's Convention 182, Worst Forms of Child Labour. But despite these policies, enforcement by the Moroccan government has been limited.³⁰ The Moroccan Ministry of Employment, Social Affairs and Solidarity is responsible for the enforcement of child labour policies, but it has been restricted because of the limited number of labour inspectors, the limited awareness about child labour and the lack of necessary resources.³¹ As a result, roughly 11% of children aged 7-14 are currently employed in economic activity of some sort.

The Labour Code of 2003 also prevents the "involuntary labour" of children, which includes any forced or compulsory labour.³² But as the line between employment and household chores is difficult to identify, young girls who work as "petite bonnes" have not been

²⁸Labour Code, Article 184 and 191

²⁹ UNICEF. Information by Country: Morocco "The Big Picture" Available at: <<http://www.unicef.org/infobycountry/morocco.html>>.

³⁰ ILO, *Ratifications by Country*, in ILOLEX [online database] Available at <<http://www.ilo.org/ilolex/english/newratframe@.htm>>.

³¹ Lahlou, Mehdi. Child Labour in Morocco: the Socio-economic Background of the "Little Maids." <<http://www.araburban.org/childcity/Papers/English/Lahlou%20Morocco.pdf>>.

³² Labour Code, Article 10

substantially influenced by the Labour Code. Involuntary labour has especially been a problem for young girls without parents or guardians, who are adopted at much higher rates than their male companions for the purposes of household labour.³³

Instead, the government has focused its efforts on a developmental approach, by working to improve drinking water, increase access to electricity, improve schools and develop hospitals in Morocco. For example, in 2005 His Majesty King Mohammed VI started the “National Initiative for Human Development” (NIHD), with the goals of eradicating poverty and addressing social exclusion of the poor. This program proposal also stated goals regarding child labour and education as a result of its development.³⁴ Likewise, under its programme “Morocco Fit for Children,” Morocco set the goal of eliminating illiteracy by 2015 and significantly reducing sexual exploitation. Finally, it has established a Children’s Parliament and Children’s Community Councils to increase awareness among children of their responsibilities of being a citizen. Unfortunately, however, these councils have not been widely popular.

2e. The United States Government

In addition, the United States government has put forth efforts to reduce child labour in Morocco. For example, the United States Department of Labor (USDOL) funds action programs such as the ACCESS-MENA project. This project works to improve the quality of basic education, increase girls’ access to education, strengthen civil society, and aid in the development of necessary legislation that will both promote education and reduce child labour in Morocco.³⁵

2f. NGOs

³³ US Department of State Country Reports- 2003: Morocco, section 5

³⁴ CHF International. (21 Dec 2006). ACCESS-MENA Newsletter: Combating Child Labour in Morocco. Available at: <<http://chfstage.forumone.com/content/general/detail/4374>>.

³⁵ CHF International. (21 Dec 2006). ACCESS-MENA Newsletter: Combating Child Labour in Morocco. Available at: <<http://chfstage.forumone.com/content/general/detail/4374>>.

Non-governmental Organizations (NGOs) in Morocco have fought for the elimination of child labour primarily the provision of humanitarian aid. For example, the Program Bulk Supply of Portable Water Rural Grass (PAGER) organizes the supply of water in rural areas. PAGER has the goal of reaching 30,000 locations or 11,000 million persons by 2010.³⁶ As a result of its programs, Morocco has been able to “enhance the accessibility rate [of water] from 14% in 1994 to 77% in 2006.”³⁷ But although this program has been effective in improving the health of roughly 65% of its child beneficiaries, studies have shown that the effect of access to water on increasing the education of children is quite small.³⁸

Another organization called the International Terre des hommes Foundation is an NGO that works to advocate for the rights of children around the world.³⁹ In Morocco, this organization addresses the needs of children by providing medical care to hundreds of children who lack the financial resources to do so otherwise. Additionally, this program helps single mothers find work, secure housing, and complete the identification process for their babies. The Terre des hommes Foundation also has an educational support program that offers child tutoring services after class. But while this program targets the health needs of children, it does not provide alternative vehicles for income generation for families in need. At the same time, this program reduces the vulnerability of families by providing for the health needs of poor families in Morocco.

3. *Microfinance and Child Labour*

As seen in the previous section, there have been many attempts by the international community to reduce child labour in Morocco. But as the majority of these attempts have been

³⁶ African Press Agency. (October 2007). “Morocco-Japan Cooperation” Available at: <http://www.apanews.net/apa.php?page=eco_article_eng&id_article=43515>.

³⁷ The World Bank Group. 2003, “Morocco: A Watershed for Education and Health.”

³⁸ ILO-UNICEF-World Bank, *Understanding Children’s Work in Morocco: Economic Aspects*

³⁹ International Federation Terre des Hommes. <<http://www.terredeshommes.org>>.

through humanitarian aid, there have been few initiatives that offer additional income to families. For that reason, a recent initiative by the academic community proposes the use of microfinance to reduce child labour. This section will outline the relationship between child labour and microfinance, and will analyze the consequences of this movement.

Microfinance has statistically been associated with the reduction of poverty, the increase of education, and the increase of resistance to negative external events. As a result, it has recently been proposed that microfinance can also be used to reduce child labour. But while research suggests that microfinance institutions can reduce the financial barriers that lead to child labour, they can also create a new need for child labour. The following section will show both the positive and negative aspects of microfinance in its relationship with child labour.

1. Positive Influence of Microfinance on Child Labour: Resistance to Shocks, Education and Insurance

Recent studies have argued that microfinance can be used to reduce child labour. Just as microfinance enterprises can provide additional incomes for poor families, they can also soothe financial conditions in the case of income shocks. These studies show that access to credit is an important factor in both the reduction of child labour and the education of children.

One of the first studies on microfinance and child labour was conducted in 1994, when Jacoby studied Peruvian children in order to show that a lack of access to credit is a major factor in the withdrawal from school.⁴⁰ Likewise, in 2003, Beegle, Dehejia and Gatti examined the relationship between shocks and child labour, explaining that events such as the destruction of

⁴⁰ Jacoby, H. 1994. Borrowing constraints and progress through school: Evidence from Peru. *Review of Economics and Statistics* 76: 151-160.

crops by insects increases child labour significantly.⁴¹ This study finds that access to credit decreases the probability of child labour in the event of a negative event, as families are able to collateralize assets and stabilize its income.

Additionally, studies have shown that there is a relationship between school enrollment and access to credit. In 1997, a study by Jacoby and Skofias examined data from Indian villages to conclude that the largest percentage of children who withdrawal from school do so when a family lacks the credit to face a negative income shock.⁴² These authors conclude that education serves as a form of ‘self-insurance’ for Indian households. As microfinance can serve to increase the access to credit of these families, it can also reduce the need for children to withdrawal from school.

Other studies confirm this finding. Ersado [2002] finds that credit access is likely to improve school enrollment rates and decrease child labour in Nepal, for example.⁴³ Similarly, Wydick [1999] concludes that an increase of access to credit decreases the likelihood that a child will be withdrawn from school for the purposes of household business in Guatemala.⁴⁴ Finally, there is additional evidence to suggest that microfinance institutions can provide children with positive skills development that will aid in the future employment and income.

2. *Negative Effect of Microfinance on Child Labour: Increase in Demand for Child Labour*

Microfinance does not come without its negative consequences, however. Critics argue that microfinance institutions can actually encourage child labour, as microenterprises create a

⁴¹ Beegle, Kathleen, Dehejia, Rajeev H. and Gatti, Roberta, "Child Labor, Income Shocks, and Access to Credit" (June 2003). World Bank Policy Research Working Paper No. 3075. Available at SSRN: <http://ssrn.com/abstract=636437>

⁴² Jacoby, H. and E. Skoufias, "Risk, Financial Markets, and Human Capital in a Developing Country," *Review of Economic Studies*, LXIV (1997), 311-335.

⁴³ Ernesto L., 2002., "Child Labor and School Decisions in Urban and Rural Areas: Cross Country Evidence," International Food Policy Research Institute, Washington, D.C.

⁴⁴ Wydick, B. "The Effect of Microenterprise Lending on Child Schooling in Guatemala." (Jul 1999). *Economic Development and Cultural Change*, 47 (4): 853-869.

new demand for child work. Additional studies show that the link between school enrollment and microfinance enterprises may not be positively linked. These show a gender inequality in the education of children involved with microfinance institutions.

First, studies have shown that microfinance can actually increase child labour, as a new family enterprise creates a new need for household labour. Children either help with the new microfinance enterprise, or take over the household duties of the mother. Studies have shown that the help of children is actually an important determinant in the success of a business, and many children either quit attending school completely or work in addition to their schooling. Wydick [1999] expanded upon this point in his study in Guatemala, which concluded that an increase of credit loans with the purpose of production actually increases the need of household labour.⁴⁵ This implies that microfinance institutions actually fuel the already existing incentives for child work.

Secondly, critics argue that the link between education and working is not perfectly linked. For example, Ravallion and Wodon produced a study that showed that an increase in time working many not necessarily decrease the amount of time that is spent in school.⁴⁶ Instead leisure time is often eliminated, which can negatively affect the personal development of children. In Morocco, for example, children often work six to eight hours per day in families with microcredit-based enterprises.

Finally, although studies have shown that increasing the credit of families also increases their resistance to shocks, there is likely to be gender inequalities regarding this influence on education. In the 2007 study, microfinance programs were shown to benefit girls more than

⁴⁵ Wydick, B. "The Effect of Microenterprise Lending on Child Schooling in Guatemala." (Jul 1999). *Economic Development and Cultural Change*, 47 (4): 853-869.

⁴⁶ Ravallion, Martin & Wodon, Quentin, 2000. "Does Child Labour Displace Schooling? Evidence on Behavioural Responses to an Enrollment Subsidy," *Economic Journal*, Royal Economic Society, vol. 110(462), pages C158-75, March.

boys, as boys are more likely to drop out of school to help an additional enterprise.⁴⁷ Girls, as a whole, have less access to education, and are thereby less affected by the additional credit or income that microfinance institutions provide.

3. Case Study: the Al Amana Microfinance Institution

Despite these problems, there is potential for microfinance institutions to contribute to the greater effort of child labour reduction. The following will examine the efforts of one such organization, the Al Amana Microfinance Institution.

a. History and Introduction

Al Amana was founded in 1997 with the original target population of urban microentrepreneurs.⁴⁸ Since its creation, Al Amana has become one of the largest microfinance institutions in Morocco, and has been a leading organization in providing financial services to the poor. Based in Rabat, Morocco, this organization is an independent not-for-profit organization.⁴⁹ It has expanded from only 1495 clients in 1997 to over 500,000 clients in 2007, and it currently has over 360 branches.⁵⁰

Using a solidarity group methodology, Al Amana began by offering six-month loans to clients. Since that time, its services have expanded and as of 2007 its loans range from 6 months to 5 years for entrepreneurs.⁵¹ The largest proportion of its microenterprise loans are issued for

⁴⁷ CHF International. (21 Dec 2006). ACCESS-MENA Newsletter: Combating Child Labour in Morocco.

Available at: <<http://chfstage.forumone.com/content/general/detail/4374>>.

⁴⁸ The Story of Al Amana: Notes from the Field (August 2004). Available at: <http://www.microlinks.org/ev02.phpID=7864_201&ID2=DO_TOPIC>.

⁴⁹ International Finance Corporation. "Summary of Project Information of Project 508073- GEF PVMTI Al Amana & Noor Web."

⁵⁰ The Mix Market. "Profile: Al Amana Microfinance Institution." Available at:

<http://www.mixmarket.org/en/demand/demand.show_profile.asp?ett=304>

⁵¹ Al Amana Microfinance Institution. <<http://www.alamana.org/servies-clients/produits1.htm>>.

commerce-based businesses, which is followed by in percentage by agricultural, artisan and service-based businesses.⁵²

Similarly, Al Amana now offers a variety of non-financial services such as medical coverage, and pre and post support for enterprise creation. Another of these services is called the “Fight against the Work of Children with the beneficiaries of Al Amana,” and was designed to address child labour issues related to microfinance programs.⁵³ This has been Al Amana’s main vehicle for addressing child labour problems that result from microenterprises.

b. Child Labour and Al Amana Program

On the 18th of January, Al Amana began its “Fight against the Work of Children with the beneficiaries of Al Amana” program. Although still in its early stages, this program has already created a system of objectives, including the education, communication and monitoring of its clients to improve the conditions of child labour.

c. Education and Communication

One of the main objectives of this program is the education of its clients regarding child labour issues. To this end, in February of 2007, Al Amana introduced a media-based educational program for its clients in 20 pilot locations.⁵⁴ This program includes a documentary about child labour, and a discussion-based component for clients to talk about what child labour issues. This educational program now consists of a poster, leaflet and a CD.

Although data has not yet been collected on the success of this initiative, the educational program has undoubtedly opened the door for communication between Al Amana and its clients regarding child labour. As a result, Al Amana has created an additional internal system to monitor and encourage continued communication regarding child labour.

⁵² Al Amana Microfinance Institution. <<http://www.alamana.org/Tableau-de-bord-octobre.pdf>>.

⁵³ Richard Carohal Interview

⁵⁴ Al Amana Microfinance Institution. “Rapport d’activie”

Education is also being encouraged within the organization itself. From the 9th to 11th of May, Al Amana met to discuss the definition and characteristics of exclusive child work. This meeting also reviewed the position of the Al Amana institution in regards to the work of children. Information was compiled into a “Formation Guide for Agents,” which consists of a book and CD for land agents.

d. Monitoring

Additionally, Al Amana has established a system for monitoring the conditions of work for the children of their clients. Through its program, Al Amana has established 2125 land agents with the purposes of monitoring child labour. The formal positions for these agents are credit agents, support agents, framing agents and regional coordinators.⁵⁵ These individuals are in charge of communication with customers, and implementation of activities.

Although this may reduce child labour in the short term, extensive monitoring may actually force children into worse situations long-term.⁵⁶ Therefore, the best option is for Al Amana to maintain advisory roles with its clients while adding advice and educational components to its services. This would allow Al Amana to work to improve the conditions of children.

In April of 2007, Al Amana external consultants conducted a study in four of its sites: Azrou, Ifrane, Fez and Khemmisat, to test the feasibility effectiveness of its programs. This study concluded that child labour cannot be treated only by a land agent, as a land agent does not have the authority to forbid child work. Such authority would place the institution at a risk of losing client business.⁵⁷ Instead it was concluded that land agents should work with clients to change the mindset of customers about child labour and to help clients look for solutions.

e. Numerical Results

⁵⁵ Al Amana Microfinance Institution. “Rapport d’activie”

⁵⁶ Richard Carothers, Interview

⁵⁷ Al Amana Microfinance Institution. “Rapport d’activie” pg 8

Since its creation in 2007, over 400,000 clients have been educated about potential child labour problems and about children's rights. The 2125 land agents have been trained and established with the duty of reducing child laborers. Additionally, 126,000 clients who were targeted as being associated with child labour violations have since been enrolled in a program to improve the conditions of work for these children.

f. Partnerships

As child labour is a relatively new initiative for Al Amana, it has sought partnerships from the international community. For example, the Al Amana institution has partnered with USAID on other projects, including a group-based lending and a housing initiative.⁵⁸ In regards to child labour, Al Amana has made an effort to be highly visible by the European community, publishing semimonthly letters to supporters in Europe. This partnership is also a priority for Al Amana because a large part of its funding is by the European Union.

Finally, the Al Amana Microfinance Institution has partnered with the Pick Work Regional Promotion and Protecting the Interests of Children who Work, Egypt. This program supports the idea that microfinance institutions should not act as regulators of child work, but should work to improve the conditions of child work.

Conclusion

Child labour is becoming an increasingly common subject of discussion among the international community, in part due to the efforts of activists, NGOS and governments worldwide. This attention is merited due to the large and growing problem of the child labor.

⁵⁸ Cohen, Monique. "Notes from the Field: Morocco, Microfinance Opportunities, with Ruth Goodwin-Groen" Available at <http://www.microfinancegateway.org/files/33746_file_56.doc>.

Specifically, the conditions of child laborers in Morocco need to be addressed through holistic measures by local, national and international actors.

As such, the Al Amana Microfinance Institution is one of the cutting-edge institutions in this field, as it has been among the first to address the issue of child labour in its programs. Through its “Fight against the Work of Children with the beneficiaries of Al Amana” program, it has effectively started communication with its clients regarding child labour. It has been open to community feedback, and has adjusted its programs accordingly.

Through this program, however, it has become evident that the solution to child labour is more complex than original analysis may suggest. Likewise, the best approach to improve the child labour situation may not be through the immediate elimination of all child work. Instead, the best long-term approach for children by microfinance institutions may be through the education of families and the improving of the working conditions of children.

Therefore, the role of microfinance institutions in resolving this problem is limited. Microfinance services do provide families with additional income and therefore decrease the vulnerability of families. Consequently, microfinance can be used to indirectly reduce child labour and to directly educate clients about child labour. At the same time, however, for a microfinance institution to act as a child labour regulator would require it to cross the lines of its establishment as a financial institution, and actually potentially hurt children long-term. Greater attention and international support is needed on a holistic level in order to change the conditions of child labour worldwide. Microfinance is an important and necessary vehicle for improvement, but it must be supplemented with support from the local, national and international level.

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Work Journal

Date	Work Description	Place	Hours
9/15/07	Started Research on Microfinance Institutions	UN Library	2 hrs.
9/16/07	Continued Research on Microfinance Institutions and Key Topics	UN Library	2 hrs.
9/17/07	Continued Research on Microfinance Institutions	UN Library	3 hrs.
9/19/07	Continued Research on Microfinance Institutions	Eysins, Switzerland	2 hrs.
9/20/07	Continued Research on Microfinance Institutions	Eysins, Switzerland	3 hrs.
9/20/07	Research on Poorest of the Poor	Eysins, Switzerland	2 hrs.
9/23/07	Research on the Poorest of the Poor in Microfinance	Eysins Switzerland	3 hrs.
9/25/07	Research on ILO and Microfinance	ILO Library	3 hrs.
9/26/07	Research on Microfinance in Conflict-Affected Communities	ILO Library	4 hrs.
9/27/07	Research on Microfinance	ILO Library	3 hrs.
9/28/07	Research	ILO Library	3 hrs.
10/14/07	Research	Eysins Switzerland	3 hrs.
10/15/07	Research	ILO Library	3 hrs.
10/16/07	Research	Eysins Switzerland	3 hrs.
10/17/07	Research	Eysins Switzerland	3 hrs.
10/18/07	Research	ILO Library	3 hrs.
10/19/07	Typed up Research Log to Date	Eysins, Switzerland	2 hrs.
10/22/07	Research	Eysins, Switzerland	3 hrs.
10/23/07	Research	Eysins, Switzerland	3 hrs.
10/24/07	Research	Eysins, Switzerland	3 hrs.
10/25/07	Research	ILO Library	2 hrs.
10/26/07	Research	Eysins, Switzerland	3 hrs.
10/27/07	Research	Eysins, Switzerland	3 hrs.
10/28/07	Research	ILO Library	3 hrs.

10/29/07	Research	ILO Library	2 hrs.
10/30/07	Research	UN Library	3 hrs.
11/1/07	Research	UN Library	3 hrs.
11/2/07	Research; Drafted Outline of Paper; Translated Documents into English	UN Library; Eysins, Switzerland	5 hrs.
11/6/07	Started Paper; First section	Starbucks, Geneva	6 hrs
11/7/07	Trip details to Morocco	ILO Library; Starbucks, Geneva SIT Office	8 hrs.
11/8/07	Section 2 of Paper	Manor Restaurant	2 hrs.
11/9/07	Continued typing paper	Eysins, Switzerland	5 hrs
11/12/07	Continued typing paper	Eysins, Switzerland	5 hrs.
11/13/07	Started Section 3	Starbucks, Geneva	5 hrs.
11/14/07	Continued typing paper	Eysins, Switzerland	5 hrs.
11/19/07	Started Introduction and Conclusion	Eysins, Switzerland	5 hrs.
11/20/07	Continued typing paper	Starbucks, Geneva	2 hrs.
11/21/07	Continued typing paper	Starbucks, Geneva	4 hrs.
11/22/07	Continued typing paper; Revision	Starbucks, Geneva	3 hrs.
11/25/07	Continued typing paper; Revision	Starbucks, Geneva	5 hrs.
11/26/07	Typed up Final Version of Section 3, Work Journal, Interactive Log, Introduction	SIT Office	5 hrs.: 150 hrs
11/27/07	Revision of Paper	SIT Office, Eysins, Geneva	9 hrs.
11/28/07	Revision of Paper	SIT Office, Eysins, Geneva	5 hrs.
11/29/07	Revision of Paper, Finishing Touches	Starbucks, Geneva	5 hrs.

Total Hours (Excluding Interactive Research Hours): 165

Interactive Research Log

Date	Event	Place/Person	Subject	Hours
9/14/07	Email Contacts	Various Organizations	Microfinance Information	3 hrs
9/15/07	Email Contacts	Various Organizations	Microfinance Information and Ideas	2 hrs.
9/16/07	Email Contacts	Various Organizations	Microfinance Information and Ideas	2 hrs.
9/17/07	Meeting	Alexandre Lambert	Discuss Ideas and Progress	30 min.
9/18/07	Email contacts	Various Organizations	Microfinance Information	1 hr
9/19/07	Email contacts	Various Organizations	Microfinance Information	2 hrs
9/20/07	Email contacts	Various Organizations	Microfinance Information	2 hrs
9/21/07	Preparation, Research and Interview	Professor Servet	Microfinance and Poorest of the Poor	3 hrs
9/23/07	Email contacts by Professor Servet	Various	Microfinance and the Poorest of the Poor	3 hrs
9/24/07	Preparation, Research and Interview	Craig Churchill, ILO	Microfinance and Poorest of the Poor,	3 hrs.
10/2/07	Email Contacts	Microfinance Club at Duke University	Microfinance Resources	3 hrs.
10/5/07	Preparation, Research and Interview	Lucy Clark, OECD	Microfinance and the OECD	3 hrs.
10/8/07	Preparation, Research and Interview	Rachel Chong, BRAC Microfinance Institution	Microfinance and BRAC's Ultra-Poor Program	3 hrs.
10/8/07	Email Contacts	Mr. Vice Yu, South Centre	Microfinance and the South Centre	30 min.
10/9/07	Email Contacts, Research of	Various	Microfinance Research and Resource Suggestions	2 hrs

	Contacts			
10/10/07	Preparation, Research and Interview	UNHCR	UNHCR and Microfinance	3 hrs
10/10/07	Contact more professionals via e-mail	Various Professionals	Microfinance Research and Resource Suggestions	2 hrs
10/11/07	Preparation, Research and Interview	Mr. Vice Yu, South Centre	Microfinance and the South Centre	3 hrs
10/12/07	Preparation and Meeting	Gyula Csurgai	Discuss Topic and Progress	1 hr.
10/16/07	Preparation, Research and Interview	Aga Khan	Microfinance and Aga Khan Program	3 hrs
10/16/07	Preparation, Research and Interview	Julilka Breyer, ILO	Microfinance Ideas, Brainstorm	3 hrs
10/17/07	Email	Julika Breyer	Establish Ms. Breyer as my advisor	30 min.
10/17/07	Preparation, Research and Interview	Blue Orchard	Microfinance and Financial Institutions at Blue Orchard	3 hrs
10/18/07	Preparation, Research and Interview	Thierry van Bastelear, Save the Children	Microfinance and Save the Children	3 hrs.
10/18/07	Class Lecture on Child Labour	International Labour Organization	Child Labour Idea and ISP	3 hrs.
10/18/07	Preparation, Research and Interview	Gary Waller		3 hrs.
10/19/07	Preparation, Research and Interview	Jennifer MacDonald, Boulder Institute of Microfinance	Microfinance Ideas, Poorest of the Poor vs. Child Labour	3 hrs.

10/25/07	Email Contacts	Various Organizations and Professionals	Microfinance and Child Labour	3 hrs.
10/26/07	Email Contacts	Al Amana Institution and Various	Introduction and Trip	3 hrs.
11/5/07	Meeting with Advisor	Julika Breyer	Went over Draft Outline; Talk about Morocco; Gave contacts for Moroccan UNICEF and ILO professionals	3 hrs.
11/5/07	Email Contacts	Al Amana Microfinance Institution	Discuss and arrange trip details	3 hrs.
11/8/07	Preparation, Research and Interview	Rachel Chong	BRACs Ultra-Poor Microfinance Institution Programs	3 hrs.
11/14/07	Email Contacts	Al Amana Microfinance Institution	Discuss Child Labour Program; Resources and Additional Contacts	3 hrs.
11/14/07	Email Contacts	Eva , UNICEF	UNICEF and Child Labour in Morocco	1 hrs.
11/15/07	Preparation, Research and Interview	Sharon, UNICEF	UNICEF and Child Labour in Morocco	3 hrs.
11/16/07	Preparation, Research and Interview	Buchara with Al Amana	Information about Child Labour and Al Amana	3 hrs.
11/17/07	Email Contacts	Sharon	Child Labour and UNICEF	30 min.
11/19/07	Email Contacts	Sharon	Child Labour and UNICEF; Additional Contacts	30 min.
11/20/07	Preparation, Research and Interview	Sharon	Child Labour and UNICEF; Additional Contacts	3 hrs.
11/20/07	Talk with Advisor	Julika	Send Section one of paper	1 hr.
11/20	Email Contacts	Various	Microfinance and Child Labour	3 hrs.

11/20/07	Email Contacts	Bouchra	Al Amana Institution	3 hrs.
11/20/07	Email Contacts	Various Contacts from UNICEF, ILO and IPEC	Microfinance and Child Labour in Morocco	3 hrs.
11/21/07	Preparation, Research and Interview	Richard Crothers	Microfinance and Child Labour, Al Amana Microfinance Institution	3 hrs.
11/25/07	Email Contacts	Julika Breyer	Sent Section two of paper	30 min.
10/26/07	Email Contacts	Julika Breyer	Discussion of Paper	30 min.
11/27/07	Email Advisor	Julika Breyer	Send entire rough draft	30 min.
11/28/07	Email Advisor	Julika Breyer	Continued Discussion about paper	30 min.
11/29/07	Email Advisor	Julika Breyer	Final paper discussion	30 min.

Total Interactive Research Hours: 109

Human Resources

Note: As I contacted hundreds of professionals during the course of this paper, only those personally interviewed or most helpful are listed here.

Name: Aga Khan
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Name: Thierry van Bastelaer
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Name: Julika Breyer
Position: Social Finance Programme
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Name: Susan Bissell
Position: Implementation of International Standards on Children's Rights Senior Project Officer,
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Name: Richard Carothers
Position: President and Founder of Partners in Technology Exchange Ltd
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Name: Rachel Chong
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Name: Craig Churchill
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Name: Professor Jean-Michel Servet
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Name: Dr. Gary Woller

Position: President

Organization: Woller and Associates

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Name: Mr. Vice Yu

Position: Global Governance for Development, Coordinator

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Interactive Research Interview Questions and Summaries

Blue Orchard- Interview Questions and Summary

- What is BlueOrchard's role in microcredit programs?
- What is Blue Orchard's approach of reaching the vulnerable and the socially excluded?
- How does Blue Orchard view microfinance as a means to help women? Refugees? HIV/AIDS individuals? The Poorest of the poor?
- What role does Blue Orchard play in microinsurance?

Blue Orchard is not a good organization for my research. It is in charge of funding microfinance institutions, not actually working as one. They directed me to other organizations.

Susan Bissell, UNICEF- Summary

Susan Bissell spoke about UNICEF programs in Morocco and referred me to Richard Carothers. She also gave me research documents.

Richard Carothers, Partners in Technology Exchange, Ltd.- Summary

Mr. Carothers gave me additional contact information for the Al Amana Microfinance Institution and spoke of the program highlights and weaknesses.

Rachael Chong Interview, BRAC New York- Interview Questions and Summary

1. BRAC has started a program called the "Challenging the Frontiers of Poverty Reduction: Targeting the ultra poor programme," which has been repeated in Haiti. What have been the successes and failures of this program?
 2. IGVGD (Income Generation for Vulnerable Group Development)-
 - a. Special Investment Programme (SIP)- Asset transfer and intensive support covering a wide range of constraints
 - b. Asset transfer
 3. Can you tell me about the selection process for the ultra-poor program and how that differs from other BRAC programs?
 4. What are the main reasons for poverty for microcredit clients?
 5. What are the main social barriers that clients face?
 6. What are the main reasons for lack of success in loan repayment?
 - a. Lack of finance- 44%
 - b. Social barriers- 15%
-

Craig Churchill, ILO- Interview Questions and Notes

- What do you see as the biggest areas of vulnerability of the poor?
- How does microfinance and microinsurance held with the daily expenses/food consumption issues of their lives?
- What does microfinance do to address these?
- Microinsurance- do the poor really want this?
- In what areas are clients most vulnerable
- Microinsurance- You said in one of your articles that a major problem of microfinance is “educating the market and overcoming its bias against insurance.” How do you think this could be accomplished, and what has been done?
- Vulnerability depends on many things: including the frequency of occurrence, the associated costs (or loss of income), and the duration or permanence of the effect
- Crisis affects loans
- Reducing vulnerability in the form of saving- Poorer households have a difficult time with saving money anyway because it they are concerned with daily expenditures. What can be done for them?
- What are the limitations of the insurance companies in providing care.
- Stresses- school fees and food consumption
- For low-income households, habitual cash flow pressures, and the resulting psychological vulnerability, elevate these concerns to nearly the same level as the more significant and potentially more expensive shocks associated with illness and death.
- These results suggest that, if MFIs could find ways of helping clients to cope with these risks, the organisations might experience corresponding improvements to their business loan portfolio.

Craig directed me toward either microfinance as it relates to conflict-affected communities, or to a specific group such as orphans, women, HIV+ individuals, etc. He also gave me contact information for this.

Lucy Clarke, OECD LEED Program- Interview Questions and Summary

1. To start, can you tell me a little about the LEED program and what it does in economic development and entrepreneurship?
2. What would you say are the major factors inhibiting the access of the “poorest of the poor” to business creation?
3. The OCED website says that it serves as a ‘best practices’ thinktank, in many respects. What/where have ‘best practices’ been seen regarding reaching the poorest of the poor?
4. The worst?
5. What can OECD do to help other governments implement similar projects, and what potential problems do you see in the implementation of these programs. For example, culture differences, etc.
6. Work with other organizations?
7. What can poor countries and governments do to encourage this growth?
8. Case studies

Summary- Lucy Clarke gave me contact information for many people at the OECD, as well as documentation about its programs involving microcredit. She is not personally involved in these programs, and referred me to additional experts.

Thierry van Bastalear, Save the Children- Interview Questions and Transcript:

- What/where have 'best practices' been seen regarding reaching the poorest of the poor? The worst?
- It is often argued that microfinance fails to target the poorest. Is this the case?
- Has the BRAC IGVDG program been an effective way to reach the socially excluded, and to financially target and aid the poorest?
- Social exclusion- has microfinance been used in the Save the Children program to bring the socially excluded back into society?
- What has it lacked?
- Does village banking exclude the most vulnerable, and what can be done to reverse that trend?

Transcript of Interview:

After the Nobel peace prize was won by a man in the field of microfinance, there has been a growing notion that microfinance cannot reach the poorest of the poor.

Whether under a bed or in a bank, people have money, and they want to protect their money. The difference is that not everyone has credit; they need savings. The most effective programs in reaching the poorest of the poor are those savings programs that have credit programs. In Africa, individuals are giving their income to deposit collectors who are very risky. Some run away with their money. Despite this, the poor has started to realize the importance of investing, even in the case of deposit collectors where there are negative interest rates. The risks of deposit collectors is greater than sticking the money under a mattress, yet it is becoming the more valued approach.

Finance as a portfolio of products, with a greater array of flexibility, allows access. In many areas, access is not the issue, nor is it an issue of interest rates. In some cases, where no microfinance institution exists, access may be an issue, but as a whole, it is the fact that the government is not comfortable with savings, and the public protection and legal environment of microfinance institutions is jeopardized.

Microfinance programs, especially village banking programs, work because the group of individuals involved are committed to work. In the village banking system, many individuals are excluded from this application process as they are not deemed by society to be socially reliable.

Although this may be seen from a social perspective as "mean," for financial reasons it may be the best option, as village banking is a group of self-selected individuals.

On the other hand, to target the poorest of the poor, groups such as BRAC Bangladesh have created a sort of charity group, whereby the system is run on more of a subsidies basis than a sustainable microfinance institution. As a result, these programs have the possibility of pushing individuals into society and creating for them the social capital to be welcomed into village banking systems. Microfinance was, indeed, created by a group of academics, and thus in practice is may not always be “nice.”

Save the Children has a two-pronged approach whereby it wants to aid in the already existing organizations to supply for the needs of those who are not already being helped. Its goal is to provide financially services to the roughly 625,000 persons that do not have access to it currently, including health, education access to capital, information sharing, etc.

The goal of microfinance is that it will eventually disappear, as persons will no longer need the help an MFI of to get out of poverty because there will be no poverty.

Thierry van Bastelaer is a political economist and expert in social capital, collective action, and microenterprise. He is Director of Economic Opportunities at Save the Children/US, where he works on strategy development for the organization's microenterprise programs. He was previously Director of the Enterprise Development Group at the University of Maryland's IRIS Center, where he developed and managed a number of projects in the area of enterprise growth, including the development of user-friendly poverty assessment tools, an applied research program to identify the role of micro-enterprises in growth and poverty alleviation, toolkits for legal and regulatory reform for microfinance, and enterprise development programs in Nepal and Bangladesh.

Next steps:

- Microfinance Gateway
- Research Adviser?
- Specific Issues

Jennifer McDonald, Boulder Institute of Microfinance Interview Questions and Summary

10/19/07- 3:00 PM

- Has microfinance been affective in targeting the poorest of the poor?
- Which organizations have shown best practices in targeting and effectively including the poorest into society?
- What components these programs have been highly effective?
- Least effective?
- What is the role of microcredit in child labour?
- Is there a link between microfinance and child labour, as it relates to the poorest of the poor?

Jennifer helped to redirect my focus on child labour and microcredit, and offered additional resources and contact persons.

Mia Mikic, UNESCAP- Interview Questions and Summary

- In one of your articles, you spoke of how impoverished populations really need credit- because they prefer to start their own businesses rather than earn wages, thus creating a need for microlending institutions. What is the future vehicle for credit creation?
- In the future, what do you see as the main vehicle for lending (will it be microlending institutions)? How will these institutions be promoted, created, etc.? What do you see the future of these institutions as being?
- How do major multinational organizations corporations play into microeconomics? In the growing trend of globalization, do you see this helping or hurting the main objectives for microfinance?
- How does China's economy play into microcredit and microeconomics?
- How does microfinance work into the cultural differences? For example, in Asian culture as a whole. How does microfinance relate to the culture?
- Is the future then in microcredit or microfinance? Is it most productive to invest in the lending institutions themselves, or in the of the actual microfinance entrepreneurial activities?
- The future of microcredit in Asia? Africa? Most powerful in which regions?
- The relationship between microfinance and women has been shown. In many Asian countries where education is not permitted for women, how is this a factor? What about cultural disruption? In HIV/AIDS education, it has been seen to, on occasion, cause the abuse of women from their husbands. Whenever women are empowered, there is side effects. What do you see as the potential externalities of this?

Mia Mikic directed me to other organizations and explained of her work in Asia

OHCHR Interview Questions

1. What are the greatest vulnerabilities of refugees from an economic perspective? What factors contribute to refugees becoming the "poorest of the poor" as they are relocated?
 2. How are refugees, especially those displaced for extended amounts of time, placed into the workforce?
 3. What barriers to stability do they face in the workforce?
 4. How is the homelessness of refugees handled in terms of economic stability?
 5. What is needed to better target the "poorest of the poor" within the refugee population?
 6. What has been most successful in aiding the refugees financially? Least effective?
-

Johanthan Potter, OECD- Interview Questions

- What is the OECD's approach of targeting the most vulnerable of society?
 - What have been the biggest challenges to targeting the child labour affected? What would you say are the major factors inhibiting the access of the "poorest of the poor" to business creation?
 - The OCED website says that it serves as a 'best practices' thinktank, in many respects. - What/where have "best practices" been seen regarding reaching the poorest of the poor?
 - The worst?
 - What can poor governments do to encourage the growth?
 - What case studies have been good examples of microfinance affecting child labour?
-

Professor Servet- Summary

The professor spoke of the critical aspects of microfinance, and introduced the idea that microfinance does not truly alleviate poverty. He also explained the concept of the "poorest of the poor."

Gary Waller, OCED- Summary of Interview

Gary gave me the contacts for the head of research at BRAC, as well as information about self-help groups such as Share. He also directed me toward a woman at Oxfam and told me about the SEED savings-led working group. Finally, he spoke about individual lending and solidarity groups, which according to Gary, do not reach the poor.
