

**The Challenge of Entrepreneurship - Providing
Micro-credit to the Poor in Jamaica: The case of the
Micro Investment Development Agency (MIDA)-
1999 to 2003**

Submitted by:
Sean Ffrench
Department of Sociology,
Psychology and Social Work
University of the West Indies,
Mona

Abstract

This paper will attempt to outline the main challenges associated with providing micro-credit to the poor in Jamaica. This will be done by examining the work of the Micro Investment Development Agency (MIDA), from 1999 to 2004, across four parishes. Not only is MIDA, which delivers credit directly to the poor through a network of community based on-lenders, among the largest providers of micro-credit in Jamaica it is a central programme in Jamaica's National Poverty Eradication Programme (NPEP).

The paper will concentrate on exploring the funding, institutional, socio-cultural and economic challenges faced by MIDA as it attempts to service its target clientele. Under these headings issues of repayment rates, the institutional structure of MIDA, the influence of political patronage, the impact of crime and violence, the attitude of borrowers to repaying government funds, the challenges of accessing and servicing the target population and the attitude of the donor/lender community to MIDA will be examined among other pertinent issues. The paper will also examine MIDA's responses to the challenges facing its operations and explore whether or not there are lessons to be learnt from the MIDA experience which can enhance the chances of success of current and future micro-credit schemes in the region.

Introduction

In an effort to streamline existing welfare programmes while at the same time limiting the duplication of effort in the fight to eradicate poverty, the government of Jamaica created the National Poverty Eradication Programme (NPEP) in 1995. Poverty eradication here was operationalized to mean the incremental reduction, culminating in the ultimate elimination over time, of absolute poverty. The Programme brought together a mix of new and existing welfare and self-sufficiency programmes and projects all aimed at attacking the problem of poverty in the country. For the NPEP poverty is identified as having both private and public dimensions and falls into one of three categories as follows:

1. Chronic Poverty, which exists when an individual is incapacitated and/or incapable of independently procuring the requisite means of sustenance. This category includes persons who are unable to work because of chronic physical and mental infirmity or old age and children without parent(s) or with parent(s) who are incapacitated. Those in this category of poverty are the primary beneficiaries of the welfare programmes that fall under the NPEP.
2. Consumption Poverty, which refers to able-bodied adults who are unable to meet their basic consumption requirements. That is, they fall below the poverty line as determined by mean per capita consumption expenditure. This category may include both the employed and unemployed.
3. Resource (or capability) Poverty, which refers to those who are deprived of access to private and public resources such as a basic education, basic health care, basic housing, transportation, healthy environment, water and employment. This deprivation of these basic resources in turn results in impoverishment.

Among the most noteworthy of the NPEP projects and programmes is the Micro Investment Development Agency (MIDA) which was set up to support the microenterprise community while providing persons with the opportunity to gain employment through the establishment of their own businesses (Ffrench 2003). It was envisioned by the architects of the NPEP that

MIDA would help to minimise both consumption and resource poverty as defined by the Government of Jamaica (GOJ). To date MIDA remains among the single largest providers of microcredit in the island. MIDA alone has been responsible for providing well over one billion Jamaican dollars to the microenterprise community between 1992 and 2003 (French 2003).

MIDA which, during the period under consideration, fell under the auspices of the Ministry of Industry, Commerce and Technology, was created in 1992 and is guided by the following mission statement:

The Micro Investment Development Agency exists to provide leadership in developing an integrated approach to the growth of the microenterprise sector on a sustainable sector basis through the provision of financial services and networking with stakeholders in the sector to facilitate the delivery of non-financial services to those wishing to start or expand their micro businesses through a highly efficient and well motivated MIDA staff. (MIDA Annual Report 2001-2002; p.1)

As the government's main microcredit facility the core functions of MIDA include:

- The provision of funding, as a wholesale institution, to enable micro-entrepreneurs to obtain financing on a timely basis and on satisfactory terms (MIDA Board Retreat, 1999)
- The encouragement of micro-entrepreneurs through the identification and promotion of economically viable opportunities through the nurturing of promising business ideas (MIDA Board Retreat, 1999).
- The provision of business advisory services including the preparation of business proposals and the provision of technical advice (MIDA Board Retreat, 1999).
- Satisfying the social agenda through the creation of opportunities aimed at challenging the cycle of unemployment among youth, women and depressed communities (MIDA Board Retreat, 1999).

MIDA delivered most of its funding during the period under consideration through a network of Community Development Funds (CDFs). MIDA embarked on this initiative in 1993 when the agency fostered the establishment of Industrial and Provident Societies (IPS), capitalized by funds from the Social and Economic Support Programme (SESP) and member savings. These IPSs became known as CDFs and granted loans to members provided they had the required savings in place to access the funds and given that the business being proposed or the one at hand was viable. A management board, elected by the CDF members, governs each CDF and among other things approve projects for loans. The CDFs currently act as the main venture window for MIDA with approximately 99% of MIDA funds being distributed through CDFs.

This arrangement was established to satisfy both the need for MIDA to properly channel its funds while remaining flexible and responsive to the demands of its poor clientele. It was envisioned that the CDFs would remove the unnecessary bureaucracy associated with the provision of microcredit.

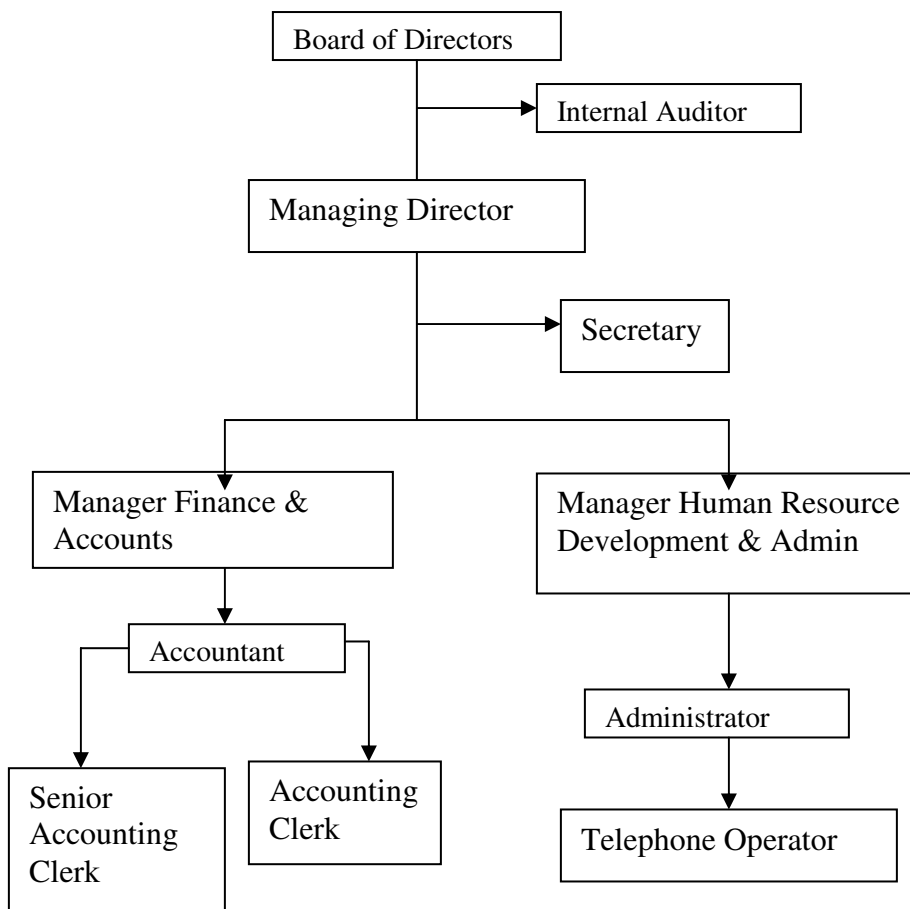
The Operations of MIDA

When MIDA began operations in 1992 it had a staff complement of thirty-six (36) persons, however, in recent years due to a reorganization effort, MIDA now has a staff complement of nine (9) full-time employees (see figure 1 below). This staff complement is supplemented by consultants where and when needed. A Managing Director, who answers to a nine person Board, heads MIDA and, according to the MIDA Business Plan 2002/2003 (p. 15), is responsible for developing and implementing broad policies and goals for the organization in conjunction with the Board of Directors while ensuring the financial viability, growth and profitability of the organization.

As it stands, MIDA's new organizational structure is predicted on the belief that MIDA's core function should be facilitating the delivery of wholesale credit to the network of CDFs. The major part of the reorganization coincided with the installation of a new Board of Directors in September 2001 who took deliberate steps to reposition the agency to maximize its impact on the microsector (Ffrench 2003). The biggest change in the organizational

structure of MIDA is in the area of MIDA field staff. The MIDA field officers, who were a part of the original organizational structure, were made redundant with the best ones placed in management positions in CDFs. This leaner MIDA is intended to ensure that the administrative costs of delivering funds would be reduced while ensuring a more efficient CDF network. This change, launched approximately two years ago, has already borne fruits as the cost of delivering \$1 of credit has been reduced from 54c to 15c since the changes took place. The 15c is very close to the estimated 14c that was envisioned by the MIDA Business Plan 2002/2003 and well ahead of the major competitors of MIDA. According to the Managing Director of MIDA, for the period under review, the Self Start Fund needed \$1.20 to deliver \$1 in loan funds while the National Development Fund of Jamaica needed \$1.05 to deliver \$1 of credit (Ffrench 2003).

Figure 1 – MIDA’s Current Organizational Structure



In addition to trimming the organization, the repositioning of the agency also included the establishment of a MIDA web site and the creation of a computer linked MIDA/CDF network system. These technological changes were launched to put the agency in a position to monitor the financial and credit operations of the CDFs on a daily on-line basis. Further to this, in the last two years, the Agency has also shed its role of providing business advisory services and training for microentrepreneurs.

Since its inception, MIDA has raised over \$464 million for the sector in its ten-year history, including a \$100 million local bond, issued in 1993 and fully redeemed in 2000¹. From this pool of funds MIDA, as at the end of the 2002/03 financial year, has provided \$1.01 billion in credit funding to the microsector. These funds in turn have resulted in the establishment of 13,138 projects and created approximately 21,243 persons with fulltime and part-time employment² (see Table 1 below).

Finally, in summarizing the overall performance of MIDA (for the years where we have employment data available) it is interesting to note that, since its inception to the end of 2002/2003 financial year, the agency was able to generate one job in the microsector for every \$42,583.44 loaned to fund approved projects while each project funded in turn generated 1.7 jobs

¹ MIDA Business Plan 2002/2003 page 4

² Interview with the Managing Director of MIDA

Table 1 – MIDA’s Annual Disbursal, Projects Funded and Employment Generated from 1992/93 to 2002/03

Year	Number of Projects Funded	Value of Loans (\$m)	Employment Generated
1992/1993	-	46.75	-
1993/1994	-	16.13	-
1994/1995	2,890	96.93	2,800*
1995/1996	756	43.00	-
1996/1997	1,653	123.98	2,800*
1997/1998	1,145	79.70	1,912
1998/1999	1,042	103.50	1,763
1999/2000	1,038	98.28	2,655
2000/2001	1,503	125.10	2,750
2001/2002	1,416	122.00	2,844
2002/2003	1,695	155.00	3,719
Total	13,138	1,101.48	21,243

*- Estimated by MIDA

The Challenge of Entrepreneurship

This paper will concentrate on examining the activities of MIDA and select CDFs in four parishes, namely Kingston, St. Andrew, St. Catherine and St. Mary. The first three parishes were chosen because together they make up Jamaica’s largest urban area, the Kingston Metropolitan Area, while St. Mary was chosen because it was the poorest parish in the island during the period under review. This choice also allowed for rural urban comparisons to be drawn in exploring the challenges facing MIDA as it attempts to service its clientele. For the purposes of this paper the CDFs examined were the Cassia/Maxfield CDF which services the parishes of Kingston and St. Andrew; the Portmore CDF which services St Catherine; and the Mango Valley CDF which services St. Mary.

The data for this paper was generated from document reviews and semi structured interviews with relevant stakeholders in the microcredit sector. The documents reviewed included the operational manuals and loan guidelines for both MIDA and the CDFs in addition to MIDA annual reports, the MIDA newsletter for the period under review and other internal documents relevant to the performance and operations of MIDA and the CDFs. In-depth structured interviews were carried out with the following persons:

- The Managing Director of MIDA
- The Chairman of the MIDA Board of Directors
- The National Coordinator for the National Poverty Eradication Programme who is also the Prime Minister's representative on the MIDA Board of Directors
- The representative from the Ministry of Investment and Commerce with portfolio responsibility for MIDA (he is also a member of the MIDA board of directors)
- The managers of the CDFs in the parishes selected for in-depth examination.

After examining the data generated it became obvious that MIDA faced several fundamental challenges in providing credit to their target population. These challenges for purposes of discussion can be grouped under five broad headings – the challenge of funding its operations, institutional challenges, socio-cultural challenges and economic challenges.

The Challenge of Funding MIDA

An examination of MIDA's expenditures and income flow along with information gathered in the structured interviews revealed that the organization, at its rate of borrowing and repayment, would have run out of money by the end of 2004 calendar year unless provided with a large infusion of capital. The managing director of MIDA revealed in an interview that the organization, during the five years under consideration, because of a lack of external funding (that is, funding outside of loan reflows) was on the verge of bankruptcy. In fact the managing director revealed that MIDA has operated at a subsistence level for almost every year of its existence for a number of reasons. These include:

1. *Lack of budgetary support for the organization* – MIDA has not gotten budgetary support from the Government of Jamaica since the 1998/1999 financial year when it received \$2

million from the national budget³. Given the state of the economy, the nation's high debt burden and the need for tight fiscal controls, the organization has been dropped from the national budget. It was hoped that MIDA would have been able to survive on reflows and attract money from local and international sources in order for it to maintain its viability. However, for reasons that will be explored in the following paragraphs these sources have not materialized to projected levels. The result has been that the organization is currently strapped for cash and cannot expand the monies being made available to the microenterprise community.

2. *The lack of international support*- It was assumed that MIDA would have been able to attract international funding given its status as the islands main microenterprise funding agency coupled with the international interest in microfinance as a tool for poverty eradication. However, to date MIDA has not been able to attract the level of funding it anticipated because of a number of reasons. According to the Ministry of Industry, Commerce and Technology representative interviewed, international agencies have shied away from MIDA because of the moral hazards, primarily the perception that loans are politicised. In fact the Ministry representative claims that this perception is one of the single biggest problems facing the institution. This problem is so serious that the previous board of directors recommended that MIDA be privatised in part to escape this moral hazard. In addition to the problem of the moral hazard, MIDA finds it difficult to attract international funding because it provides loans at below market rates. Many international institutions, according to the managing Director of MIDA, operate on the belief that micro loans should be provided at market rates to ensure that the business funded are truly competitive and capable of sustained growth in the competitive market place once established. Subsidized loans, it is argued, does not require the business funded to be competitive and will simple result in their failure once they are no longer accessing subsidized loans.

Added to concerns about the moral hazards and the rate of interest charged, the Managing Director of MIDA revealed that some members of the international community are

³ IBID page 10

uncomfortable with the 25% levy on the profits generated by external funds by the Ministry of Finance and Planning. This means that 25% of all reflows from monies loaned by external entities go to the Ministry of Finance and Planning. International agencies are particularly concerned about leakages and they see this as a significant deterrent for investing their funds in MIDA.

3. *Repayment rates and bad debt portfolio*- MIDA's main source of funding and by extension the main source of funding for the network of CDFs has been the reflows from loans. But unfortunately repayment rates have not been at a level over the past ten years to place it in a position to expand its lending and non-lending services. According to the Managing Director of MIDA, since its inception, the overall repayment rate on loans is approximately 70%. This is well below the rate suggested as being viable in the literature if an organization wishes to be self-sufficient and expand its portfolio of borrowers. According to Maria Otero (1989), anything below an 80% repayment rate jeopardizes the viability of a microcredit scheme which is not receiving constant infusion of external capital to facilitate loans. In fact Otero claims that for a microcredit scheme to be in a position to survive on its own and expand, experience has shown that the scheme should have a repayment rate of 90% and above. In examining the performance of MIDA's loan portfolio it is important to point out that since the last round of restructuring, which involved improving the quality of the management of CDF and the culling of weaker CDFs, the repayment rates have been steadily increasing to a point where over the last two years the repayment rates stands at approximately 85%⁴. However, despite this improvement it is still far below the 92% envisioned in the MIDA Business Plan 2002/2003 and the 90% suggested in the literature. In fact it is interesting to note that even if MIDA and the CDFs achieve a repayment rate of 92% it will only be sufficient to ensure that they can continue to lend at current rates however it does not allow for an expansion. According to the Managing Director of MIDA for the agency to grow at a desired 15% for the next 5 years it would need a cash infusion of approximately \$250 million (Ffrench 2003).

⁴ Interview with the Managing Director of MIDA

An examination of the three CDFs singled out for in-depth study illustrates this repayment problem. The Portmore CDF, which is generally agreed to be among the strongest in the network, has a robust repayment rate of 95%. However, Portmore is the exception that proves the rule. The repayment rates of the other CDFs better illustrates the problem of repayment. Cassia/Maxfield has only been able to recover 20% of the funds loaned since 1993 and has been forced to write off 11% of their loan portfolio as unrecoverable. In the case of the CDF in St. Mary only 50% of their total loans made have been fully repaid.

4. *Fraud*- The CDF network has fallen victim to a variety of fraudulent transactions and activities since its establishment in 1993. The National Coordinator for the Poverty Eradication Programme, and MIDA board member, revealed that in the early days of the CDFs it was not uncommon for the management of these entities to provide loans to themselves, their families and their friends. In addition, persons were supported in establishing projects because of their political leanings and their status in the community. He revealed that they uncovered instances where loans were given to non-existent persons and to persons who had no intention of establishing projects. He recounted instances where a CDF chairman would regularly take money from the CDF's cash box and replace it with personal cheques, some of which bounced. Another CDF chairman allegedly took money from the CDF and replaced it with a personal IOU. However, the more serious cases of fraud seemed to have involved the CDF workers themselves. A CDF manager interviewed revealed that one of the CDFs that serviced Kingston and St. Andrew folded because the manager took more than \$5 million in CDF funds. It is important to note, however, that the instances of fraud seem to be on the decline since the last round of CDF reorganization. However, the damage to the finances and perceptions of the MIDA and the CDF has already been done with very little of the monies defrauded having been recovered (Ffrench 2003).

Institutional Challenges

In an attempt to remain financially viable and to increase repayment rates and internal efficiency, MIDA and by extension the CDF undertook institutional restructuring. While this restructuring has borne fruit in terms of reducing the administrative cost of delivering loans while improving monitoring of the CDF through an online computerized monitoring system it has come at a significant cost.

In the case of MIDA the organization is left with a staff complement of only nine persons to monitor and regulate an islandwide network of 16 CDFs with over 5,000 clients. This significantly reduces the ability of the organization to carry out site visits, offer technical help to the CDFs and to monitor actual projects on the ground as a means of confirming the information coming to the organization from the CDFs. This problem is exacerbated by the fact that many CDFs are also understaffed. This problem is illustrated in the MIDA Business Plan 2002/2003 which reveals that there are approximately 5,000 CDF members and only 64 CDF staff members. In other words there is approximately 1 CDF staff member (including non-technical staff) for every 78 borrowers. The work of the CDFs is made more difficult by the fact that many lack the basic resources to carry out their tasks. For example, not all CDFs have a company vehicle to facilitate site visits, instead many rely on their employees' personal vehicles for site visits.

In addition, the downsizing has meant that MIDA relies heavily on the use of technology to carry out their monitoring function. This may prove to be a fatal weakness as its proper use is dependent on the person operating the system and interpreting the various reports generated. Additionally, it is important to note that although the electronic system marks a serious improvement in the agency's ability to monitor the CDFs it is not without its faults as it simply captures basic information about loan portfolios. While this is sufficient to prevent cases of fraud and poor judgement within the CDFs it does not allow for the development of the CDFs and the microentrepreneurs they serve. According to one CDF manager, the system does not capture information on the turn around time for loans, the customer service delivered to borrowers, their competence in disbursing loans, the viability of the project

being funded and changes in the viability of a project over time. This deficiency, unfortunately, according to the same source, is not being compensated for by sufficient site visits by MIDA to monitor the CDFs and their clients (Ffrench 2003).

To increase worker performance MIDA has instituted an incentive scheme for its CDF staff where their basic salary is augmented by performance increments tied to the repayment rates and the performance of their respective portfolios. This has meant that CDF staff members feel a sense of pressure to perform in order to earn a viable salary. This becomes a more serious problem when it is noted that repayment rates are not only influenced by the motivation of the CDF staff but economic and natural disasters, the attitude of borrowers and their views about the moral obligation of repaying loans can all have detrimental effects on the performance of projects funded. In fact, one CDF manager interviewed confessed that he and his staff were having problems motivating themselves given the level of payment being received for the execution of their tasks. He expressed the view that he had been treated unfairly because he earned more money for less work when he was a field officer employed to MIDA. He claims that given his operating milieu it is extremely difficult to positively impact on the repayment levels to a point where it translates into significant improvements in his remuneration. In his estimation his transfer to the CDF has meant that he has suffered a 50% pay cut (Ffrench 2003).

In addition to the human resource constraints mentioned above, the desire for sustainability of MIDA has forced the agency to become more involved in the day to day operations of CDFs in order to maintain repayment rates. In fact during the period under review it was revealed that the Managing Director of MIDA had to take over the chairmanship of seven of the sixteen CDF boards in an attempt to ensure their viability and constant repayment rates. In fact a CDF manager interviewed expressed the view that the MIDA/CDF relationship was no longer a partnership but a MIDA dictatorship. In many instances, according to this CDF manager the interaction between both entities is simply one where MIDA dictates policy without proper consultations with the managers of the CDF. Another manager was particularly critical of the fact that there was no mechanism for the managers of the CDF to

regularly meet with the MIDA management to provide feedback on the policy directions. Instead what happens, he claims, is that policy decisions are simply communicated by a memo (Ffrench 2003).

Socio-cultural challenges

While MIDA is faced with a myriad of socio-cultural challenges for the purposes of this paper the issues which will be explored under this heading will be attitudes to MIDA and loan repayment and the challenge of providing microcredit in the urban milieu.

As mentioned above, one of the generally agreed upon reasons for MIDA's poor repayment rates and by extension the repayment to the CDFs network was the public perception of MIDA. MIDA is perceived as a government institution lending government money that does not have to be repaid. This opinion persists to this day and should not be surprising given our history of political patronage and pork barrel politics.

This view of MIDA was bolstered in its early years when, according to the Ministry of Commerce representative, the Director of the Poverty Eradication Programme and the Managing Director of MIDA, it was not uncommon for loans to be granted to political activists and party sympathizers in order to ensure political support in elections or as a reward for years of loyalty. This activity in turn helped to feed a general perception within communities that the monies were not loans but gifts. This system of patronage was made possible by the fact that, in the early years, before the CDFs got professional managers, they were often times managed by and overseen by boards comprised of influential persons in the community who were often political activists. This view about the repayment of loans was also influenced by the fact that, in addition to distributing their own monies MIDA also manages the SESP loan portfolio. This SESP loan portfolio is made up of contributions from the Members of Parliament (MPs) across the island who earmarks a certain percentage of their annual allotment of funds to assist the needy in their constituencies to support the establishment of microenterprise projects. The result was that MPs would often time send persons to MIDA for assistance who in turn felt that they had a right to access funding

because they were recommended by a MP. Potential beneficiaries did not distinguish between MIDA and SESP funds and treated both as gifts earmarked by their political representatives for their private use. MPs and political activists, in turn, felt that they had a right to dictate the disbursement of loan funds and would often times use their political influence to bring pressure to bear on CDF employees to ensure that loans were granted to their party faithful.

However the political influence was not the only moral hazard faced by MIDA and the CDFs because, in an attempt to democratise the lending of funds, it opened up the door for personal relationships to influence the loan process. According to the Managing Director of MIDA, it was not uncommon for CDF members to elect a board of management not based on their business skills and management abilities but based on their popularity in the respective communities. In addition, members would also elect persons who they felt would be lenient on delinquent borrowers and less stringent in the approval of loans. The result was that persons who had a direct conflict of interest ended up managing and overseeing a CDF while reinforcing the view that MIDA and CDF loans were gifts and not loans disbursed based on the merit of a project (Ffrench 2003).

However, it is important to note that within the last three years MIDA and the CDFs, through the latest round of restructuring, have gone a long way to reduce the moral hazards facing the system of loan distribution. More stringent loan requirements, professional CDF managers, MIDA intervention in the Management Boards of select CDFs, MIDA extension of institutional loans to improve the infrastructure of the CDFs and the establishment of an electronic system of monitoring the CDFs have all helped to reduce the chance of personal bias entering into the system of loan disbursements.

The data collected from the three CDFs chosen for in depth analysis revealed that in addition to issues of attitudes to MIDA and loan repayment, there are specific challenges associated with servicing the urban poor.

The difficulty of operating in the urban setting is probably best illustrated by the fact that when the CDFs were first established there were 11 CDFs devoted to servicing the Kingston and St. Andrew areas. To date only two CDFs have survived in this unstable operating milieu. As is to be expected, the challenges of providing microcredit in urban areas are particularly acute in inner-city communities. The interview with the manager of the Cassia/Maxfield CDF revealed that most of his clients operate in an unproductive environment. He revealed that in many inner-city communities micro entrepreneurs often had the added burden of being targets for extortion. He claims that this was especially true of persons engaged in the service/vending sector which makes up the bulk of CDF borrowers. The CDF head offered the example of a female borrower who started a grocery shop and was forced to shut it down because of the burden of extortion.

The inner-city milieu also presents the CDF with a particularly difficult challenge of motivating borrowers to repay loans. According to the Cassia/Maxfield CDF manager, the negative view around the repayment of loans is particularly intense in poor inner-city communities. This is probably due to the fact that the political patronage was particularly pervasive in inner-city communities which were used to mobilize votes and political support. In many instances the loans granted in these areas were never intended to start microenterprises but instead were seen by beneficiaries as a free or cheap source of capital to defray living expenses, finance consumer purchases and as payment for political loyalty. As the manager of the Cassia/Maxfield manager puts it "...why shouldn't they see it as a cheap source of funding they only have to put up 25% and we give them 75%...they are already ahead of the game"

Not only does the inner-city microcredit provider have to overcome low repayment rates but they also have to confront the problems associated with repossessing items put up for collateral by these borrowers. The Cassia/Maxfield CDF manager revealed that because of the mobility of poor inner-city residents they often times find it difficult to track down delinquent borrowers. In addition, it is not uncommon for borrowers to give the wrong

address when applying for a loan thus making it impossible to carry out site visits or repossess collateral when payments become overdue.

Finally, operating in the inner-city also brings with it the threat of violence. Firstly, the areas are often times quite volatile making site visits dangerous. Secondly, CDF workers are often threatened with violence when they attempt to collect outstanding sums owed, to repossess machines or collateral used to secure loans. In fact, not only are the CDF agents threatened but they have also received threats to the physical structure housing their organization. The CDF manager recounts an incident where a group of borrowers went as far as to threaten lawyers and their offices after they had initiated legal proceedings on behalf of the CDF to recover monies loaned. The Cassia/Maxfield CDF manger claims that he no longer turns to the police for assistance because his request for help in the past have been met with ridicule from the police who claim that he should have known better than to lend money to "...people innna dem area deh". In addition, the police are often hesitant to intervene because of a fear of some of these communities.

The Economic Challenge

The microentrepreneurs operate in an economy that has experienced little or no meaningful economic growth in the last decade (above 5%). This means that the micro sector, just like their larger counterparts, have been struggling to exist in a milieu that does not facilitate growth and development. Besides the attitude of borrowers, all the CDF managers interviewed agree that the state of the economy is the single biggest impediment to the survival and growth of the projects funded. They claim that because of the state of the economy consumers have less disposable income to buy the goods and services being offered by the microenterprise community. The state of the economy also means that there are very few new economic areas being open up to facilitate new business opportunities for micro investment.

In addition, the manager of the Portmore CDF revealed that many of his borrows find it hard to repay loans because the economic reality has forced many of these persons to use the loans

to defray personal expenses. According to him, it is not uncommon for persons to admit to having to use loan funds to purchase school books for children, school uniforms and to pay utility bills. He also pointed to the fact that, the poor economic climate, has meant microentrepreneurs do not reinvest enough capital into their businesses to allow them to expand and become sustainable.

Given the above it is not surprising that MIDA and CDFs operate in a milieu in which most first time microenterprises fail. According to the Managing Director of MIDA and the representative from the Ministry of Commerce approximately 80% of all first time micro-business fail. Thus probability dictates that most of the new business funded by these institutions will fail. In fact, the figures indicate that it is only after the second or third attempts that most microentrepreneurs successfully establish a business capable of subsistence and growth. This reality is underlined by the fact that the poor levels of education in the marginal sectors of the society from which potential borrowers are drawn means that many borrowers were not exposed to management and or entrepreneurial courses before becoming borrowers. The CDF managers admit that many of the projects funded fail because of poor entrepreneurial and management skills of borrowers. This deficiency according to one CDF manager is not addressed in any meaningful manner after they are accepted for assistance. He readily admits that MIDA and the CDFs do not provide borrowers with adequate support services such as bookkeeping and management skills in order to ensure their success as entrepreneurs.

Conclusion

Without doubt MIDA, based on the data generated, faces a myriad of challenges as it attempts to service the poor as is mandated by the NPEP. These challenges will no doubt be magnified as the demand for microcredit continues to grow in Jamaica. In fact the Ministry of Commerce estimates that MIDA and all the other micro credit institutions in operation meet only 10% of target group demand and less than 20% of total demand for microcredit.

On paper MIDA, through its network of CDFs was to be a tool for poverty eradication, however, given the challenges associated with servicing the poor one has to seriously question whether this is a reality. The on-the-ground reality has meant that MIDA has had to grapple with problems of finding adequate levels of funding, the spectre of political patronage and fraud, poor attitudes towards repaying loans, the obstacles presented by the urban milieu and the anaemic state of the island's economy.

In response to these challenges, and others, MIDA has been attempting to pull off a tight rope act of balancing the need for fiscal prudence and viability with the need to service the poor microentrepreneur. In an attempt to maintain fiscal viability MIDA has had to not only become more stringent in their screening process but has had to revisit their goal of catering exclusively to the poor. The CDF managers interviewed admit that in an attempt to maintain repayment levels, they have been forced to cater less to the poor and more to persons with business experience and a track record of success in small business. For example the Portmore CDF, during the period under consideration, moved from a position where 50% of their borrowers could be classified as poor to a position in 2002/2003 where only 20% of borrowers fell into this category (Ffrench 2003). As a consequence of this shift in emphasis on the ground, the CDF managers admit that repayment rates have improved albeit at the expense of the social mandate of MIDA and the CDFs (Ffrench 2003). In fact the MIDA experience seems to be supporting a view expressed by several authors including Aguilar (2000), Bates (1996), Bates and Servon (1998), Johnson and Rogaly (1997) and Hulme and Mosley (1996) that the poor are not necessarily the best equipped persons to run a micro business successfully because of a number of factors including their low levels of training, their operating milieu, individual mindsets and the state of the economy which makes them particularly vulnerable to economic shocks. While this is a position not currently held by MIDA, and by extension the GOJ which implements the NPEP, it is clear from the data that serious questions must be asked about the use of microcredit funds for poverty eradication in Jamaica. It may well be that the viability of microcredit schemes may lie not in servicing the poor directly but instead by creating viable microenterprises which in turn will expand the employment opportunities for the poor.

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