

Difficulties mentioned by clients for the year preceding this study (2002)

Drought	28
Inflation	8
Illness	3
Illness and death in the family	5
Illness and death of animals	14
War	5
Looting	6
Displacement	4
National service	4
Lack of capital	1
Labour shortage	2
no difficulty mentioned	4

(48 clients; most of them mentioned more than one problem)

Clients' assessment of their micro-finance programme

Criteria	Positive aspects	Negative aspects
Interest rates	7	12
Access	22	1
Advisory services	9	5
Repayment period	4	10
Collateral system	14	3
Support in business development	2	6
Flexible repayment	4	0
Size of loans	3	13
no business license required	2	0

(48 clients; most of them mentioned more than one aspect)



Did micro-finance make a difference?

Problems faced by Eritreans are manifold, both in urban and in rural areas: they include environmental hazards, economic failures, as well as personal and family problems (see table to the left). The question is whether micro-finance helps people to cope with these problems and individual crises. 75 % of the interviewees gave a positive answer. Some of the others said that while micro-finance had not eliminated the root cause of the problem, e.g. the drought, it had given them the possibility to build up income alternatives, such as a shop, and they were able to feed their children using the income it generated.

Overall positive response from clients

Although the programmes run in Eritrea differ with regard to services offered and terms involved, clients perceive easy access to services, simple collateral systems that enable them to collectively guarantee for each other, as well as service advice, as the main positive aspects of micro-finance programmes. On the negative side, they mention high interest rates, short repayment periods, and the relatively small amounts of money available for each specific loan (see table to the left). In general, however, most of the clients interviewed are happy with the services they are offered. Almost all of them plan to take additional loans and do not regret to have borrowed money from their respective micro-finance organisations. The high repayment rates (examples: ACORD 93%, ECDF/SMCP 80%, for 2004) are another indicator of the general appropriateness of the services extended to the clients.

One of the critiques of micro-finance says that its services do not reach the very poor. Does the Eritrean experience tell a different story? 26 of the interviewees (just over 50% of the sample) think that many MFI clients belong to the poorest in their communities. Only 7 interviewees say that few poor are reached. This result is mainly due to the fact that the services provided differ markedly depending on the nature and aims of the projects. Owing to the pilot character of this study, the effects of micro-finance on income and income gaps has thus to be looked at in greater detail before sound conclusions can be drawn.

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This micro-finance client successfully started to breed sheep with loan money. Picture by Andreas Graeub, 2003

Micro-finance in Eritrea

Pilot Study Results

Micro-finance in Eritrea was introduced in the 1990s to enhance rural and urban livelihoods. This Info sheet summarizes the results of a pilot study conducted in 2003 on the effects of micro-finance in selected projects in Eritrea.

Study background and sample characteristics

The study was designed to include a wide range of economic, cultural and environmental backgrounds. The map to the right indicates the towns and villages visited by the study team. The persons interviewed were active in diverse economic sectors and characterised by different livelihood standards. The study team conducted interviews with women as well as men.

In total, the study comprised 48 interviews with clients of micro-finance programmes. The material collected during these interviews is summarised in the present Info sheet.



Source: UN Consolidated Appeal for Eritrea, January 2001, p.3

Personal information obtained from interviewed clients

Age	18-35	35-50	>50
Number of clients	15	20	13

Sex	female	male
Number of clients	33	15

School grade	no	1-5	6-10	>10
Number of clients	15	17	14	2

Marital status	married	single
Number of clients	34	14

Size of household	1-3	4-6	7-10	>10
Number of clients	7	21	14	0

(Personal information: 48 clients interviewed)

Business information obtained from the interviewed clients

Type of business	farming	trade and service	handicraft	labour work
Number of clients	24	23	5	1

(48 clients; some have more than one business)

Size of land	none	0.25-1ha	1.25-5ha	5-20ha	>20
Number of clients	21	16	6	2	3

(48 clients)

Number of livestock	none	cattle	camels	donkeys	sheep/goats
Number of clients	21	15	2	13	16

(48 clients; 27 of them with several livestock)