

UNCLASSIFIED

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MALAWI

WORLD ORGANIZATION OF COOPERATIVE CREDIT  
UNIONS (WOCCU)/CREDIT UNION NATIONAL  
ASSOCIATION (CUNA) PROJECT PAPER

(612-0205)

UNCLASSIFIED

AUG 25 1980

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM : AAA/AFR/DR,  John W. Koehring  
SUBJECT: Project Authorization

Problem: Your approval is required for a Grant of \$774,243 from the Section 103, Agriculture, Rural Development and Nutrition appropriation, to the World Organization of Cooperative Credit Unions (WOCCU)/Credit Union National Association (CUNA), a registered private voluntary organization (PVO), to assist Malawi develop a national cooperative savings and credit society through the Malawi Union of Savings and Credit Cooperatives Project (612-0205). It is planned that a total of \$500,000 will be obligated in FY 1980.

Discussion: The Grant to WOCCU/CUNA will be utilized to assist the Malawi Union of Savings and Credit Cooperatives Organization (MUSCCO) develop a national credit union system that will provide needed savings and credit services to low income people in Malawi, especially those in rural areas, so that they can increase their productivity and incomes, thereby improving the quality of their lives and standard of living.

The Government of Malawi (GOM), through the Ministry of Trade, Industry, and Tourism (MIIT), endorses the need for this assistance to WOCCU/CUNA to support and strengthen the efforts of MUSCCO, and attaches considerable importance to this project.

The objectives of this project are:

1. to promote and expand the number, membership, savings and productive lending of financially viable cooperative savings and credit societies in Malawi;
2. to develop a financially viable national association of these societies capable of providing required technical and financial services to its membership;
3. to increase society member savings and borrowing capacities, especially for agricultural production and rural small business development purposes;
4. to improve management throughout the system; and
5. to improve the financial management skills and the ability to secure credit by individual members, the societies, and the national association.

The principal beneficiaries of the project will be cooperative savings and credit society members and their families located mainly in rural areas of Malawi. The project is designed to provide technical, financial, and commodity assistance to the Malawi credit union movement over a five-year period. The objectives of this activity are consistent with the national development goals, which, as identified by the GOM, are:

1. encouragement of rurally based, economically viable development institutions;
2. expanded smallholder agricultural production;
3. introduction of improved agricultural technologies;
4. expansion of small-scale agro-based industries;
5. increased rural entrepreneurship;
6. improved financial management skills among the poor;
7. development of practically-oriented adult literacy programs and materials for rural groups.

The basic components of the project support include:

-- Technical assistance to the Promotion, Education and Advisory Committee (PEAC) and its successor, MUSCCO, will be supplied to the project for a minimum of three years by a resident technician furnished by WOCCU/CUNA.

-- Short-term technical consultancy support to PEAC and MUSCCO will be made available for a minimum of five years by advisors from WOCCU/CUNA and the Africa Cooperatives Savings and Credit Association (ACOSCA).

-- Financial assistance will be given to MUSCCO for budget support for a period of five years and a contribution to its capital will be made for institutional development assistance to its member societies.

-- Commodity support will include one project vehicle, three motorcycles for MUSCCO fieldworkers, audio-visual equipment, training materials, and office equipment.

The total costs of the project amount to \$2,045,368. The AID Grant to WOCCU/CUNA is for \$774,243 and MUSCCO's contribution to the project totals \$1,271,125.

The following table illustrates the specific areas in which AID funds are required:

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Total</u>
	(\$000)					
Technical Assistance	\$100,639	\$ 79,750	\$ 98,449	\$ 7,122	\$ 16,986	\$302,946
Budget Support	67,935	70,061	66,943	65,096	65,756	335,791
Commodities	65,800	23,953	6,250	—	—	96,003
Other Costs	17,329	11,328	5,165	5,681	—	39,503
Totals	\$251,703	\$185,092	\$176,807	\$ 77,899	\$ 82,742	\$774,243

By the end of the project, MUSCCO will be capable of performing routine internal management and society service functions with minimal need for external technical assistance; it is expected that there will be a 63 percent increase in membership in the credit union movement. MUSCCO will also institute, operate and begin major expansions of its central finance operations. This expansion will include the acquisition and relending of external capital to member societies. The net interest revenues generated by these operations should ultimately become MUSCCO's principal revenue source, leading to financial self-sufficiency.

The project has been thoroughly examined to determine its viability, and as a result was found to be technically and economically sound and socially acceptable. The technical design and cost estimates are reasonable and adequate, thereby satisfying the requirements of Section 611(a) of the FAA. Because of the nature of this project, the Initial Environmental Examination (IEE) concludes that no significant impact on the natural or physical environment will result. It is recommended, therefore, that a negative determination be made. Your approval is required. (See Attachment A.)

There is one condition precedent which must be met, which requires that:

-- Prior to any disbursement, or the issuance of any commitment document under the Grant Agreement, WOCCU/CUNA will provide, in form and substance satisfactory to AID, evidence that MUSCCO is registered as a legal entity in accordance with Malawi Law.

A source and origin waiver from A.I.D. Geographic Code 000 (U.S.) to Code 935 (Special Free World) will be required for the procurement of one four-wheel drive vehicle and three motorcycles at an approximate cost of \$24,000. The justification for this waiver can be found in Annex B of the attached proposal (See Attachment C).

The Project Review was held on August 13, 1980. There were no unresolved issues. A Congressional Notification was submitted on August 8, 1980 and the waiting period expired on August 23, 1980. There are presently no significant human rights issues in Malawi.

The responsible office in the field will be the A.I.D. Representative, and the AID/W backstop officer will be Alfred Harding, AFR/DR/SAP.

Recommendation: That you sign (1) the attached Project Authorization thereby authorizing the Grant and the requested waiver, and (2) the attached IEE.

Attachments:

1. Project Authorization
2. IEE
3. Project Paper

Clearances;

f: DAA/AFR:WHNorth RAS  
f: AAA/AFR/DP:RStacy RAS  
AFR/SA:MDagata JUN 8/82  
AFR/DR:NCohen NA  
AFR/DR/ARD:BWhittle (draft)  
AFR/DR/SDP:JHester (draft)  
AFR/DR/SAP:WWolff JUN 8/82  
GC/AFR:NFrame NA  
SER/COM/ALI:RHagan (phone)

For PT.  
AFR/DR/SAP:AHarding:bjs:8/22/80:x28818

## PROJECT AUTHORIZATION

Name of Entity:	World Organization of Cooperative Credit Unions (WOCCU)/Credit Union National Association (CUNA)
Name of Project:	Malawi Union of Savings and Credit Cooperatives
Number of Project:	612-0205

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended (the "Act"), I hereby authorize a Grant to WOCCU/CUNA, a registered private voluntary organization, for the Malawi Union of Savings and Credit Cooperatives Project, involving planned obligations of not to exceed \$774,243 in grant funds over a five-year period from the date of authorization, subject to the availability of funds in accordance with the AID OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.

2. The project will consist of four components designed to assist the Malawi Union of Savings and Credit Cooperatives Organization (MUSCCO) in the development of a national cooperative savings and credit society (credit union) financial system in Malawi. The four project components include (a) technical assistance to MUSCCO for a minimum period of three years; (b) short-term technical consultancy support to MUSCCO for a minimum of five years; (c) financial assistance to MUSCCO for budget support and a contribution to its Central Fund which will be used to provide institutional development assistance to its member societies; and (d) commodity support.

3. The Grant Agreement which may be negotiated and executed by the officer to whom such authority is delegated in accordance with AID regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as AID may deem appropriate.

### 4.A. Source and Origin of Goods and Services

Goods and services financed by AID under the project shall have their source and origin as specified in AID Handbook 1, Supplement B, Chapter 16B1c and AID Handbook 13, Chapter 4, or in the Cooperating Country.

B. Waiver

Notwithstanding paragraph A. above, the following waiver to the AID regulations is hereby approved:

- (1) The requirements set forth in Handbook 1, Supplement B, Chapters 4 and 5, that commodities procured with grant funds have their source and origin in the U.S., is waived, based upon the justification set forth in the Project Paper, to permit the procurement of 1 four-wheel drive vehicle and 3 motorcycles, at an approximate cost of \$24,000, which have as their source and origin, countries included in AID Geographic Code 935. It is hereby determined that exclusion of procurement of the vehicles from free world countries other than the Cooperating Country and countries included in Code 941 would seriously impede attainment of U.S. foreign policy objectives and the objectives of the foreign assistance program; and that special circumstances exist which justify a waiver of the requirements of Section 636(i) of the Act.

C. Condition Precedent

Prior to any disbursement, or the issuance of any commitment document under the Grant Agreement, WOCCU/CUNA will provide in form and substance satisfactory to AID, evidence that MUSCCO is registered as a legal entity in accordance with Malawi law.

Date: August 26, 1980

Goler T. Butcher  
Goler T. Butcher  
Assistant Administrator  
for Africa

Clearances: As Shown on Action Memorandum

GC/AFR: <sup>27</sup>NFrame:jlo:8/20/80

AGENCY FOR INTERNATIONAL DEVELOPMENT  <b>PROJECT PAPER FACESHEET</b>	1. TRANSACTION CODE <input type="checkbox"/> A ADD <input checked="" type="checkbox"/> B CHANGE <input type="checkbox"/> C DELETE	PP <hr/> 2. DOCUMENT CODE 3
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3. COUNTRY/ENTITY <b>Malawi/CUNA (OPG)</b>	4. DOCUMENT REVISION NUMBER <input type="checkbox"/>
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5. PROJECT NUMBER (7 digits) <input type="text" value="612-0205"/>	6. BUREAU/OFFICE A. SYMBOL <b>AFR</b> B. CODE <input type="text" value="06"/>	7. PROJECT TITLE (Maximum 40 characters) <input type="text" value="Malawi Union of Savings &amp; Credit Co-op Development"/>
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8. ESTIMATED FY OF PROJECT COMPLETION FY <input type="text" value="8"/> <input type="text" value="5"/>	9. ESTIMATED DATE OF OBLIGATION A. INITIAL FY <input type="text" value="80"/> B. QUARTER <input type="text" value="1"/> C. FINAL FY <input type="text" value="81"/> (Enter 1, 2, 3, or 4)
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10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$1 - )						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL	500.0		500.0	774.2		774.2
(GRANT)	( 500.0 )	(        )	( 500.0 )	( 774.2 )	(        )	( 774.2 )
(LOAN)	(        )	(        )	(        )	(        )	(        )	(        )
OTHER U.S.	1.					
2.						
HOST COUNTRY						
OTHER DONOR(S)						
<b>TOTALS</b>	<b>500.0</b>		<b>500.0</b>	<b>774.2</b>		<b>774.2</b>

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>80</u>		H. 2ND FY <u>81</u>		K. 3RD FY <u>    </u>	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) ARDN				500		274.2			
(2)									
(3)									
(4)									
<b>TOTALS</b>				<b>500</b>		<b>274.2</b>			

A. APPROPRIATION	N. 4TH FY <u>    </u>		O. 5TH FY <u>    </u>		LIFE OF PROJECT		12. IN-DEPTH EVALUATION SCHEDULED
	P. GRANT	Q. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
(1) ARDN					774.2		MM    YY <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="3"/>
(2)							
(3)							
(4)							
<b>TOTALS</b>						<b>774.2</b>	

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA, BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET.

1 = NO  
 2 = YES

14. ORIGINATING OFFICE CLEARANCE SIGNATURE <div style="text-align: center;"> </div> TITLE Director, AFR/SA	15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION DATE SIGNED <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 2px;">MM</div> <div style="border: 1px solid black; padding: 2px;">DD</div> <div style="border: 1px solid black; padding: 2px;">YY</div> </div> <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <div style="border: 1px solid black; padding: 2px;">18</div> <div style="border: 1px solid black; padding: 2px;">02</div> <div style="border: 1px solid black; padding: 2px;">C</div> <div style="border: 1px solid black; padding: 2px;">5</div> <div style="border: 1px solid black; padding: 2px;">E</div> </div>
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## A. PROJECT DESCRIPTION

### 1. Project Goal and Purpose

The goal of this project is to develop a national cooperative savings and credit society (credit union) financial system in Malawi which will provide needed savings and low-cost credit services to low-income people, especially in rural areas, so that they can increase production, raise their incomes, improve their standards of living and meet other development needs.

More specifically, the development of a strong, broad-based credit union movement integrated into a viable national credit union financial system will contribute substantially to increasing the rate of growth of domestic savings mobilization in Malawi, raising the volume of loan capital available for investment purposes and expanding the population base eligible to borrow.

The purposes of the project proposed are:

- o To promote and expand the number, membership, savings and productive lending of financially viable cooperative savings and credit societies in Malawi.
- o To develop a financially viable national association of these societies capable of providing required technical and financial services to its membership.
- o To increase society member savings and borrowing capacities, especially for agricultural production and rural small business development purposes.
- o To improve management throughout the system.
- o To improve the financial management skills and creditworthiness of individual members, the societies and the national association.

## 2. Project Beneficiaries

The principal beneficiaries of the project will be cooperative savings and credit society members and their families located mainly in rural areas of the country. As is shown in Table 1, about seventy percent of current membership receives an annual family income of MK 146 (\$183) or approximately US\$37 per capita for a typical family of 5. Average annual family income for all members is about MK 437 (\$546).

## 3. Relationship to Government of Malawi Development Goals

Consultation with officials of the Ministry of Trade, Industry and Tourism (MTIT), the Economic Planning Division (EPD) and the Development Division of the Office of the President, the Ministry of Agriculture and Natural Resources (MANR), the Treasury, and the Ministry of Community Development (MCD) identified the following national development goals as consistent with those of the project:

- o Encouragement of rurally based, economically viable development institutions.
- o Expanded smallholder agricultural production.
- o Introduction of improved agricultural technologies.
- o Expansion of small-scale agro-based industries.
- o Increased rural entrepreneurship.
- o Improved financial management skills among the poor.
- o Development of practically-oriented adult literacy programs and materials for rural groups.

## 4. Project Description

The project is designed to provide technical, financial and commodity assistance to the Malawi credit union movement for a period of five

TABLE 1  
AVERAGE MEMBER CASH INCOME BY INCOME GROUP\*  
(1980 Sample Survey)

Income Group:	HIGH (MK 1501-5000)			MEDIUM (MK 501-1500)			LOW (MK 0-500)				
	Name of Society	Total Members	Avg. Income	No. Mbrs.	%	Avg. Income	No. Mbrs.	%	Avg. Income	No. Mbrs.	%
Euthini	1,890	4,000	95	( 5)	1,200	151	( 8)	100	1,644	(87)	
Nkhomenya	814	2,000	16	( 2)	510	570	(70)	60	228	(28)	
N. Rukuru	72	3,000	7	( 5)	1,000	20	(28)	500	47	(65)	
Madisi	694	2,000	62	( 9)	600	209	(30)	200	423	(61)	
Malawi RR	86	1,740	26	(30)	600	4	( 5)	288	56	(65)	
Likuni	179	2,000	16	( 9)	1,300	22	(12)	350	141	(79)	
Kafakule	236	-	-	-	800	12	( 5)	161	224	(95)	
Lunyina	400	2,000	20	( 5)	800	100	(25)	200	280	(70)	
TOTALS	4,371		242			1,088			3,043		
GROUP AVERAGE INCOME		2,785		( 6)		1,088		(25)		146	(69)

SAMPLE AVERAGE INCOME 437

\* Based on society member estimates of proportion of total society membership in each income group and the average cash income of all members in that group.

years, beginning in the last quarter of 1980 and continuing through 1985.

The basic components of project support include:

- o Technical assistance to the Promotion, Education and Advisory Committee (PEAC) and its successor the Malawi Union of Savings and Credit Cooperatives (MUSCCO) for a minimum period of three years supplied by a resident technician furnished by WOCCU/CUNA Global Projects Office.
- o Short-term technical consultancy support to PEAC and MUSCCO for a minimum of five years provided by advisors from the WOCCU/CUNA Global Projects Office and the Africa Cooperatives Savings and Credit Association (ACOSCA).
- o Financial assistance to MUSCCO for budget support for a period of five years and a partial contribution to its Central Fund (capital base) which will be used to provide institutional development assistance to its member societies.
- o Commodity support including one project vehicle, motorcycles for MUSCCO fieldworkers, audio-visual equipment, training materials, and office equipment.

If additional project assistance proves necessary beyond 1985, a second limited project will be designed to provide the requisite support to the MUSCCO system until financial self-sufficiency is attained. It should be clearly understood, however, that AID participation in the current project in no way represents an ongoing commitment to support future MUSCCO programs.

##### 5. End-of-Project Conditions or Results

By the end of the project, the following conditions should have been achieved:

- o MUSCCO System Capability:  
MUSCCO will be capable of performing routine internal management and society service functions with minimal need for external technical assistance. (See Section D.2.1).
- o System Growth Expected:

TABLE 2

EXPECTED SYSTEM GROWTH

<u>Indicators</u>	<u>Start-of-Project (Year-End 1980)</u>	<u>End-of-Project (Year-End 1985)</u>	<u>Percentage Increase (%)</u>
<u>Society Level:</u>			
Number of Societies	24	39	63%
Membership	7,742	16,213	109%
Member Savings (MK)	363,000	1,044,100	188%
Family Beneficiaries	38,710	81,065	63%
<u>MUSCCO Level:</u>			
Central Fund Total	0	107,700	-
Member Shares	0	67,700	-
Staff Trained	2	9	350%
Earned Income (MK)	300	21,000	6,900%
Expenses (MK)	10,549	60,787	476%
(%) Self-Sufficient	3%	35%	65%

o MUSCCO Services to Member Societies in Place:

- Institutional development and production loans, if feasible, to member societies utilizing loan capital mobilized through the central finance system. ("Institutional development loans" include medium-term loans to societies to finance paid-managers salaries, the purchase of adding machines and safes and the purchase of construction materials to build society offices; "production loans" are for small-scale agricultural and business purposes).
- Risk management service (fidelity bonding, if feasible; loan protection and life savings insurance).
- Stationery supply service (the sale of office supplies and equipment to member societies).
- Education and extension assistance service (through MUSCCO fieldworkers providing training, technical assistance and supervisory services to member societies).
- Loan collection service, if feasible (specialized MUSCCO assistance to member societies experiencing loan recovery problems).

o Member Society Service Capabilities and Level of Operations:

- Representative societies meeting basic management standards, especially financial control and credit administration (see Section D.2.2).
- Current annual growth rate in movement-wide membership and savings increased by 30%.
- Member societies participating on an eligibility basis in MUSCCO institutional development and, if feasible, production credit on-lending program.
- Paid society managers employed where feasible.
- Expanded participation of women in society services.
- Improved coordination with other public and private development agencies, particularly in the areas of agricultural technical assistance, input supply, farm marketing and small business development.
- Bi-annual audits and/or examinations of society accounts performed by either MUSCCO or the Ministry of Trade, Industry and Tourism (MTIT) Cooperative section personnel.

## B. PROJECT BACKGROUND

### 1. Proposal Development

The origin of this proposal was a request for a credit union development feasibility study made by the Permanent Secretary, Ministry of Trade, Industry and Tourism to the Africa Cooperative Savings and Credit Association (ACOSCA) in September, 1976. In response, ACOSCA, assisted by WOCCU/CUNA Global Projects, conducted a study in May, 1977 on the status of Malawi's savings and credit cooperative movement and its potential for future development, which was submitted to the Ministry of Trade, Industry and Tourism for discussion and review later that year.

In March, 1979, after a series of follow-up visits to Malawi by ACOSCA and WOCCU/CUNA Global Projects personnel and further discussions with Government of Malawi and PEAC Officials, WOCCU/CUNA Global Projects submitted a draft project proposal to MTIT which received Treasury approval in August, 1979. The Malawi government subsequently requested that a second project feasibility study be conducted in early 1980 to resolve additional issues not previously identified.

This second project feasibility study—upon which this proposal is based—was conducted in Malawi from March 11 to April 12 of 1980 by a seven-man study team composed of two specialists from WOCCU/CUNA Global Projects, the Southern Regional Manager of ACOSCA, the MTIT Industrial Economist and the Cooperative Auditor and two PEAC staff-members.

A detailed survey questionnaire was prepared jointly by study team mem-

bers to collect the necessary data on a sample of eight representative cooperative savings and credit societies located in the three administrative regions of the country. In addition, extensive interviews on project-related matters were held with the Promotion, Education and Advisory Committee (PEAC), Ministry of Trade, Industry and Tourism (MTIT), Office of President and Cabinet (Economic Planning Division and Development Division) Ministry of Agriculture (MANR), Ministry of Community Development (MCD), and USAID officials. In total, over 196 man-days of effort were expended by the study team in the field collection of data for this proposal.

## 2. Prior PVO Experience

The implementation of the proposed development project will involve three credit union organizations: the Africa Cooperative Savings and Credit Association (ACOSCA); the Malawi Promotion, Education and Advisory Committee (PEAC) and its successor national association, the Malawi Union of Savings and Credit Cooperatives (MUSCCO); and the World Council of Credit Unions/Credit Union National Association Global Projects Office (WOCCU/CUNA-GPO). Collectively these three organizations bring to the project expertise based on nearly seven decades of experience in credit union development work. A brief description of the capabilities of each is provided below:

### 2.1 PEAC and the Malawi Union of Savings and Credit Cooperatives

The Promotion, Education and Advisory Committee (PEAC) was organized in 1972 with the collaboration of the Ministry of Trade, Industry and Tourism, as a voluntary non-profit association whose ob-

jective was the promotion and development of cooperative savings and credit societies in Malawi. The committee has nine elected members, all of whom are credit union leaders and serve without compensation. PEAC activities are financed primarily through private donations from such agencies as the Africa Cooperative Savings and Credit Association (ACOSCA), the Konrad Adenauer Foundation (KAF) and the Swiss Lenten Fund.

In 1975, ACOSCA obtained funds for PEAC to hire its first fieldman. A second fieldworker for the northern region was added in early 1979 to assist in promotional activities. During the last five years, PEAC has demonstrated its effectiveness as a national promotional and representational body serving the development needs of cooperative credit and savings societies in Malawi. For example, largely due to PEAC's efforts, the number of member societies has more than doubled to its present level of 18, individual membership increased five-fold to its 1979 level of 6,363 and total society assets reached MK 318,152 (an eight-fold increase).

At present, steps are underway to form a national association of cooperative savings and credit societies as a successor organization to PEAC. The new association, (MUSCCO), will function as a national second-degree cooperative savings and credit society and will provide financial and other services to its primary society owner-members; registration of MUSCCO is expected during 1980.

## 2.2 ACOSCA

The Africa Cooperative Savings and Credit Association was formed in 1968 by leaders of the credit union movement in seven African countries. Today ACOSCA represents 22 national affiliates, movement savings in excess of \$115 million, and a total membership of more than 1.4 million. ACOSCA serves its affiliates from headquarters in Nairobi, Kenya and through Regional Offices and Training Centers located in Maseru, Lesotho; Lome, Togo; and Nairobi. ACOSCA Headquarters personnel, in addition to the Executive Secretary and his administrative staff, include specialists in central financial systems, education/training, risk management/insurance, and credit union promotion, organization and development.

Since its founding in 1968, ACOSCA has played the lead role in development of the credit union movement in Africa and has a demonstrated capability in project development, management and evaluation. ACOSCA has directed the operation of small farmer production credit programs through its member national associations in Lesotho and Cameroon. ACOSCA staff, in addition to participation in the development of this project, have also participated in studies and other project development and management activities in Ghana, Kenya, Liberia, Zambia, Swaziland, Sierra Leone, Botswana and Togo.

## 2.3 WOCCU/CUNA Global Projects

The WOCCU/CUNA Global Projects Office serves as the principal source of technical assistance support for international credit union development in the developing world. Supported by the Credit Union

National Association (CUNA) and by U.S.A.I.D. Grants through CUNA, the Global Projects Office responds to technical assistance, training and project development requests made by confederations affiliated to the World Council of Credit Unions. CUNA involvement in international development began in 1954 with a program designed to introduce the credit union idea to developing countries. In 1962, the first of several agreements with AID was signed, supplementing funds from the U.S. credit union movement. More than a decade of technical assistance has since resulted in formation of regional confederations in Latin America (COLAC), Africa (ACOSCA), the Caribbean (CCCU) and Asia (ACCU).

Specific involvement in Africa dates from 1964 when a grant by the Michigan Credit Union League Foundation permitted CUNA to provide assistance led to the establishment of national associations in Kenya, Tanzania and Uganda. CUNA supported the establishment of ACOSCA in 1968, and a Global Projects technician was assigned to ACOSCA in 1970 to assist with its development program. Since 1974, Global Projects technical personnel have helped coordinate small farmer production credit programs in Cameroon and Lesotho. Through its Washington staff and access to the technical capabilities of the worldwide credit union movement, Global Projects is in position to provide specialized assistance to the proposed project.

### 3. Host Country Activity in Program Area

In addition to the Promotion, Education and Advisory Committee activity described above, the Government of Malawi has provided substantial support to the development of the cooperative savings and credit society

movement. The Ministry of Trade, Industry and Tourism (MTIT) has played an important role along with PEAC's leadership in the development of the savings and credit society movement. Two MTIT officials participated in the MUSCCO Development Project field study and the Ministry provided secretarial services and office space. In requesting this project proposal, the Ministry has indicated its continued support for the development of the Malawian credit union movement; this was reconfirmed in interviews with ranking Ministry officials during the recent survey.

The Ministry of Agriculture and Natural Resources (MANR) has also expressed interest in the project. Since 1972, MANR has been promoting the organization of Farmers Clubs in the rural areas. These voluntary clubs, which receive in-kind group loans from MANR for agricultural production purposes, share much in common with existing savings and credit cooperatives in terms of organizational structure and operation. Due to these similarities and MANR's own desire to avoid any unnecessary overlap of resources and activities, MANR has held a number of discussions with PEAC and MTIT concerning the possibility of closer collaboration between cooperative savings and credit societies and farmers clubs and concerning the feasibility of converting some of the more mature clubs into savings and credit cooperatives. If feasible, this would allow MANR to significantly reduce its supervisory responsibilities over these mature clubs and focus more of its group-lending operations on other clubs in greater need of assistance.

## C. PROJECT ANALYSIS

### 1. Current Status of the Malawi Savings and Credit Cooperative Movement

#### 1.1 Achievements

At 31 December 1979, there were 18 registered cooperative savings and credit societies operating in Malawi. Total society membership was 6,363 with aggregate member savings of MK 281,517 (\$351,896), total loans outstanding to members of MK 293,525 (\$366,906) and total society assets of MK 318,152 (\$397,690) as shown in Table 3.

The most notable feature of the Malawi savings and credit cooperative movement is its rural character. Sixteen of the eighteen credit unions in operation in 1979 were located in rural areas, representing approximately 95 percent of total membership and 98.5 percent of total savings. The vast bulk of the members were smallholder farmers, small rural producers and petty traders. Only two urban societies are currently operating. Organized along occupational lines, their membership is limited to employees of Malawi Railways Ltd. and a school employees group. Both are situated in the Blantyre area.

Society lending is primarily oriented towards the rural sector, as shown in Table 4. In the seven societies that were sampled, 54% of the loans were granted for agricultural purposes with an average loan value of MK 43 (\$54). Small business and trading loans were the second largest category comprising about nineteen percent of the number of loans disbursed. The average business loan size was more than twice that of agricultural loans (MK 93 versus MK 43), and total

TABLE 3  
MALAWI CREDIT UNION MOVEMENT  
AS OF 31 DECEMBER 1979

<u>Number of urban and rural societies in each region</u>	<u>Total Membership</u>	<u>Total Savings (MK)</u>	<u>Total Loans Outstanding (MK)</u>	<u>Total Soci Assets (M)</u>
<u>Northern Region:</u>				
Urban -	-	-	-	-
<u>Rural 9</u>	<u>4,628</u>	<u>228,741</u>	<u>241,794</u>	<u>258,941</u>
Subtotal 9	4,628	228,741	241,794	258,941
<u>Central Region:</u>				
Urban -	-	-	-	-
<u>Rural 6</u>	<u>1,421</u>	<u>48,434</u>	<u>46,711</u>	<u>53,906</u>
Subtotal 6	1,421	48,434	46,711	53,906
<u>Southern Region:</u>				
Urban 2	306	4,175	4,935	5,117
<u>Rural 1</u>	<u>8</u>	<u>167</u>	<u>85</u>	<u>188</u>
Subtotal 3	314	4,342	5,020	5,305
TOTALS 18	6,363	281,517	293,525	318,152

Source: PEAC Statistics, 31 December, 1979. (See Appendix II for more detailed society statistics).

TABLE 4

CREDIT USE IN 7 SAMPLED SOCIETIES1978-80

<u>Loan Purpose</u>	<u>Amount</u> <u>(MK)</u>	<u>(%)</u>	<u>Number</u>	<u>(%)</u>	<u>Average Loan Size</u> <u>(MK)</u>
Agriculture	22,369	(45.3)	522	(54.3)	43
Business	17,253	(34.9)	185	(19.2)	93
Education	3,373	( 6.8)	99	(10.3)	34
Housing	3,176	( 6.4)	27	( 2.8)	118
Household	1,077	( 2.3)	61	( 6.3)	18
Health	318	( 0.6)	20	( 2.1)	16
Refinance	593	( 1.2)	14	( 1.5)	42
Personal	850	( 1.7)	16	( 1.7)	53
Other	<u>406</u>	<u>( 0.8)</u>	<u>18</u>	<u>( 1.8)</u>	<u>23</u>
	49,415	(100.0)	962	(100.0)	51

business lending represented about 35% of societies' loan portfolios. Significantly, loans for educational purposes, including transport costs and school fees, was the third largest loan category, representing about 7% of loans granted and over 10% of their total value.

Some important features of society loans to members according to sample survey data include:

- o They are provided "in-cash" rather than "in-kind".
- o They are relatively small in size, averaging MK 51 per loan.
- o They are primarily used for agricultural purposes.
- o They provide members with increased access to important public services such as health care, education, etc.
- o They are used to finance locally-based, employment-generating production activities.
- o They provide a source of low-cost, short-term credit not presently available from other commercial or public credit institutions.

In addition to the valuable loan services, savings and credit societies provide members with a convenient and safe place to save located in their community and which offers them a reasonable rate-of-return on their investment. In addition, most societies offer term life insurance on both savings and loan balances—the only type of life insurance available to Malawi's rural poor. All of these factors have contributed to a steadily rising level of average savings per member. Year-end average savings account balances increased during the last five years from MK 29.45 in 1975 to MK 44.20 in 1979—in spite of limited PEAC support and rapid membership growth.

## 1.2 Current PEAC Activities

PEAC is currently the only national-level, voluntary body representing the credit union movement in Malawi. Organized in 1972 with the collaboration of MTIT and the Mzuzu Diocese, PEAC provides limited promotional, technical and training support to the credit union movement. Since 1972, PEAC has co-sponsored a series of national and international credit union seminars with ACOSCA to train approximately 162 government officials and credit union leaders in credit union philosophy, organization and management. At present, PEAC employs two fieldmen with expenditures for the nine-month period ending December 31, 1979 amounting to approximately MK 8,000 (\$10,000).

## 1.3 Potential for Growth and Development

### o Movement Growth

Movement growth since the establishment of PEAC in 1972 has been remarkable. During the 1975-1979 period, for example, total membership increased at an annual compound rate of 51%, total savings at 67% and total loans outstanding at 85% as shown in Table 5.

Additional growth in the movement's total membership and beneficiary population, savings mobilization and loan services, will result from strengthening the managerial and service capabilities of MUSCCO and its member societies. PEAC staff and the study team estimated that the project will increase the current annual growth rate of membership, savings and loans by at least thirty percent. This is probably conservative, given

TABLE 5  
GROWTH INDICATORS 1975-1979

INDICATORS	1975	1976	1977	1978	1979	COMPOUND ANNUAL GROWTH
No. of Societies	8	11	14	15	19	24%
No. of Membership	1,235	2,558	3,672	5,334	6,363	51%
Total Savings	K36,368	K88,127	K140,811	K210,660	K281,516	67%
Total Loans Outstanding	K25,268	K77,430	K126,685	K201,235	K293,525	85%
Total Assets	K41,717	K92,645	K150,522	K228,517	K318,152	66%

Source: PEAC Statistics, December 31, 1979.

the planned expansion in MUSCCO and society service capabilities. In terms of individual societies alone, MUSCCO currently has pending organization/registration applications from 20 pre-cooperative groups—more than the total number of societies in operation at this time (April 1980).

In addition, there is vast, untapped potential among salaried employee groups. Total paid employment averaged nearly 340,000 during 1978 (the last year for which data are available), with total annual earnings in excess of MK 140 million. Even a five percent annual savings rate in potential societies organized within these groups would dramatically increase the pool of savings mobilized by the MUSCCO system. Of course organization of paid employee groups is not the major focus of the project. It will however diversify the movement's savings and potential income base and strengthen complementary institutional links between the rural and urban sectors of Malawi's economy. Even where the credit-union movement is highly urbanized (as in Kenya), society data show that membership is concentrated in the lowest occupational and salary categories.

o Savings Mobilization

The rapid growth in individual member savings during the last five years provides ample evidence that even the poor can save. Average savings balances per member have increased about 1.5 times from K 30 to K 44 in 1970. Movement data indicates that average savings per member in 1979 were about

MK 16. In combination with survey estimates of member family incomes, it appears that the propensity to save was about 4.5% of the sample's median family income level of MK 359, and about 3.7% of the sample average of MK 437.

o Growth in Loans-to-Members

Loans-to-members have increased significantly since 1975, rising from K 25,268 to K 293,529 in 1979. According to sample data, most of these loans have been for agricultural purposes, i.e. to finance the purchase of fertilizers, improved seed, oxen and food processing equipment (maize mills, for example). Business loans were used to build up inventory stock and working capital.

Credit and savings societies are also allocating a much larger proportion of their total capital to member loans than in earlier years. Illustrative of the increasing importance that societies now give to member loans is seen in the changing loan-to-asset ratio for the movement as a whole, which has risen from a low of 0.61 in 1975 to 0.92 in 1979.

o Increased Member Education and Training

PEAC field officers continue to provide limited on-site assistance to existing societies in a number of areas: member and savings promotion, bookkeeping, loan processing and delinquency control. However, funding and manpower constraints have

severely limited PEAC's ability to provide its member societies with the necessary training support. Most sampled societies continue to report technical training as their most important assistance need.

o Development of the National Association (MUSCCO)

MUSCCO—PEAC's successor—is expected to be legally registered as a second-degree cooperative savings and credit society in 1980. Previously, PEAC's effectiveness in promoting the development of cooperative savings and credit societies in Malawi was limited by insufficient financial resources to support its activities and the lack of legal identity which hindered its ability to mobilize government support for the program. With the creation of MUSCCO, a strong foundation will be laid for future development of the movement.

1.4 Problems and Needs

Interviews with government officials, PEAC officers and data collected in the sample survey identified a number of problems which are presently constraining movement development in Malawi. They include:

- o Lack of trained manpower and paid society managers
- o Insufficient member education in the use of credit
- o Lack of adequate office accommodation, safes and equipment
- o Limited participation by women in society services and leadership.
- o Inadequate audit and supervision of society accounts
- o Poor loan application review and approval procedures

- o Loan delinquency and related liquidity and earnings problems
- o Inadequate funds to meet member loan demand
- o Lack of trust in cooperative institutions due to widespread failure of cooperatives organized during the sixties.
- o PEAC's lack of legal standing

Sampled societies were asked during the survey to identify the types of assistance which they would need from MUSCCO to resolve these problems. These MUSCCO services, in the priority order assigned by society members and leaders, are shown in Table 6.

## 2. Economic Effects of the Project

### 2.1 Savings Mobilization and Capital Formation

One important economic effect of the proposed project will be the increased mobilization of personal savings at the community level. Current projections indicate that with project assistance total member savings will reach a level of MK 1,044,000 (\$1,305,125) by 1985, if the targeted 30% increase in the current growth rate is achieved. In an economic sense, by the end-of-project an additional MK 157,200 in financial savings will have been generated and institutionalized which, without the project, would not have been available for development purposes.

These additional savings balances will provide extra financial security to individual members and their families as well as serve as an additional fund of self-generated loan capital available to finance individual member development needs. If the project's growth targets are achieved, total credit union capital invested in productive activities

TABLE 6

ASSISTANCE NEEDS AT SOCIETY LEVEL

<u>Priority Order</u>	<u>Description of Service Need</u>
1	Training (member and committee)
2	Central Finance (society interlending through MJSCCO)
3	Technical Support
4	Buildings (credit union facilities)
5	Equipment (furniture, adding machines, safes, etc.)
6	Insurance (fidelity bonding, life savings and loan protection)
7	Auditing
8	Stationery (office supplies)
9	Supervision
10	Promotion
11	Loan Collection
12	Representation

should exceed MK 750,000 by 1985 which would represent a significant addition to Malawi's current capital base.

## 2.2 Increased Access to Institutional Credit

The additional member savings mobilized through the project will allow credit unions and MUSCCO to expand the present level of institutional lending to individual members from its 1979 level of MK 293,525 (\$366,906) to an end-of-project value of MK 939,700 (\$1,174,600). The budgeted capital contribution of \$31,744 will augment capitalization of MUSCCO's central finance fund to be used initially for providing institutional development loans to member societies.

In addition, the project will allow an increasing number of Malawi's poor to gain improved access to low-cost credit services hitherto unavailable. Few of Malawi's rural poor currently have access to low-cost cash loans from other institutional sources, since they lack the collateral (land title, other mortgageable property or assets) demanded by commercial lenders. Consequently they must often rely on local moneylenders to finance their immediate cash needs e.g. to buy inputs, hire harvest labor or acquire working capital. Interest rates charged by moneylenders are typically high, ranging up to 120% per annum on harvest loans and up to 100% per month on short-term providential loans. In contrast, society interest rates are currently 12% per annum, which greatly expands the profitable investment alternatives available to the small borrower, while increasing the proportion of earnings from those investments which he may retain.

## 2.3 Increased Employment and Income

Four-fifths of all society loans are for small-scale agricultural, busi-

ness and trading purposes (see Table 4). In general, such activities are highly labor-intensive, require few skills and utilize local human resources thus creating additional job opportunities in the area. In the study sample, the vast majority of all agricultural loans (which constituted approximately 50% of all loans granted) are either to hire farm labor or to purchase chemical fertilizers to improve crop yields —both of which tend to increase the demand for labor services.

It is expected that the expanded lending generated through the project will produce a significant rise in member incomes not only by increasing local employment opportunities, but by giving the borrower the flexibility to invest in new production technologies such as improved maize production which offer higher rates-of-return varying from 80 to 108%.

#### 2.4 Low-Cost Production Systems and Appropriate Technology

The project will support the growth and development of low-cost production systems in two ways; first, through the strong labor-intensive bias of current credit union lending; and second, via the special emphasis that credit unions place on institutional and financial self-sufficiency at the society and national association levels. Both of these project features should tend to encourage the adoption of least-cost production and service delivery systems, given Malawi's unique socio-economic conditions.

The technological implications of this project relate to the following points: 1) the general issue of the appropriations of the credit union organizational model for Malawi; 2) the impact of credit union finan-

cing on the production technologies employed by borrowers; and 3) the appropriateness of new financial management technologies introduced as part of the project.

The cooperative and voluntary nature of cooperative savings and credit societies makes these institutions especially adaptable to local social and economic conditions. Moreover, the organizational technology, which focuses on a single commodity—money—is both simple and relevant to the target population. No better test of this appropriateness has been the rapid development of credit unions in Malawi, which have grown dramatically with only limited assistance from PEAC. The impact of credit union lending on borrower production technologies also appears to have an appropriate effect encouraging the adoption of less capital-intensive technologies, more in tune with the borrower's limited resource base, as explained in Sections C2.3-C2.4.

Finally, the new financial management technologies introduced under the project will be largely refinements of techniques already in use. Furthermore, the democratic and voluntary nature of these institutions should tend to encourage the introduction of new techniques and methods which would be beneficial to the majority of the membership.

## 2.5 Education and Training

The education and training activities initiated by PEAC will be continued and expanded during the life of the project. Approximately

1,000 credit union leaders and officials will be trained in various aspects of credit union management, accounting, technical assistance, improved agricultural and small business management. In addition, thousands of credit union members, farmers and businessmen will receive ad hoc training via planned open seminars, general meetings and periodic extension visits by MUSCCO staff.

The impact of these training activities will extend beyond Malawi's cooperative savings and credit society movement. Evidence from other African and Latin American countries indicates that many of the management skills learned spill over into other sectors of the economy as national association and credit union leaders and employees migrate into new management positions in other fields of business and government.

### 3. Socio-Cultural Factors and Environment

The democratic and voluntary nature of cooperative savings and credit societies makes these institutions especially adaptable to Malawi's social and cultural conditions. Credit union and national association leadership is elected by the general membership and leadership turnovers are frequent allowing for new ideas to be absorbed and encouraging the continued participation of diverse groups in movement decision-making.

The success of the credit union movement to date is a major indicator of the consistency of the organization's structure and potential impact with the traditions and values of Malawi. The rapid growth experienced in credit union membership to nearly 6,400 in the last eight years suggests

that many Malawians perceive participation in credit union activities and services as a positive factor in their economic lives.

### 3.1 Participation of Women

An important objective of the project will be to increase the involvement of women in credit union activities. Currently, the proportion of women credit union members is quite low, ranging from 5-13 percent of total sampled membership. This contrasts with higher rates achieved in other African countries such as Kenya (23%), Sierra Leone (45%) and Lesotho (75%). The proportion of women members in Malawian credit unions, however, will undoubtedly increase as the credit union movement develops. If experience in other African countries can serve as a guide, women's participation rates rise as the scope of credit union activities expands.

### 3.2 Increased Food Production and Distribution

Over half of all society loans are for agricultural production activities, primarily to finance the purchase of chemical fertilizers and improved seed. Since the vast majority of these member borrowers are smallholders, most of these loans are used to increase production in traditional food crops such as maize, groundnuts and beans, much of which is destined for home consumption. The project will substantially increase the volume of lending to this agricultural group and in doing so will have a positive impact on food production and distribution.

## 4. Poorest Majority

By the end-of-project, it is estimated that over 16,000 credit union members representing about 81,000 family members will have joined. The

majority of this population will be small farmers from the lower income groups with average annual family incomes below \$206.

Two related objectives of the project are the expansion of credit union promotion to lower-middle and middle income wage earners (who tend to have surplus savings) and the development of a MUSCCO central finance system. One of the primary functions of central finance will be to provide a mechanism for transferring the surplus savings generated by those relatively better-off groups to rural credit unions where member loan demand generally exceeds available funds.

#### 5. Institutional Impact

A fundamental precept of credit union development is that sustained improvement of individual member welfare is contingent on the development of technically sound and financially viable credit union institutions. The principal objectives of this project are wholly directed towards the creation of a strong, economically-viable credit union financial institution at the national and society levels which can provide cooperative savings, credit and related services to an increasing number of Malawi's rural and urban population.

#### 6. Environmental Concerns

The proposed project will enable WOCCU/CUNA to assist MUSCCO in the development and strengthening of a national credit union system in Malawi. It is expected that the activities designed for implementation under this project will have very little negative effect on the physical and human environment. Thus, a negative environmental determination has been recommended for approval.

### D. DESIGN AND IMPLEMENTATION

1. Objectives

The Malawi cooperative savings and credit society movement includes three basic elements: the member, the society, and the national association.

The project is designed to achieve balanced growth and development for each.

Accordingly, the project implementation strategy envisions achievement of three objectives which will strengthen the movement's financial and technical service capabilities. This will enable the movement to systematically address economic and other needs of its membership and their communities. The first objective relates to development at the national level, the second to improving society growth and operations at the local level, and the third to establishing a strong institutional and economic base necessary for attainment of financial self-sufficiency by the system as a whole.

These project objectives are:

o MUSCCO Development

By end-of-project, MUSCCO will be capable of performing routine internal management functions and providing essential financial and technical support services to member societies.

o Society Development

By end-of-project, operational capabilities of member societies will be significantly improved, resulting in substantial increases in the system's total membership, savings and loans.

o Financial Self-Sufficiency

By end-of-project, an institutional base will be established enabling MUSCCO to expand its development finance operations in order to generate revenues required to reach financial self-sufficiency within a reasonable period of time.

## 2. Strategy

The strategy for achievement of each of the project objectives is discussed below:

### 2.1 MUSCCO Development

The project strategy related to this objective involves: 1) provision of the resources required to employ and retain sufficient MUSCCO staff to strengthen an expanding credit union movement; and 2) application of those technical resources necessary to define essential MUSCCO functions and procedures as well as to ensure national association staff capability to perform them adequately. Using an institutional analysis approach developed by WOCCU/CUNA Global Projects, the Resident Technician will assist MUSCCO to: 1) determine its institutional goals; 2) specify the operational objectives necessary to fulfill these goals; 3) define the organizational functions related to each output objective; 4) design appropriate operating systems for each function, including minimum performance standards; 5) design and implement systematic training activities; 6) prepare step-by-step descriptions of each required process or procedure for inclusion in a MUSCCO operations reference manual.

By the end of the project (1985), it is expected that the MUSCCO system will be essentially self-sufficient in terms of its basic technical needs. Nevertheless, additional technical assistance will probably be required to address the more sophisticated issues and problems which the development process itself will generate. The ACOSCA Southern Regional Office will be capable of meeting the major portion of those needs by end-of-project.

Key intermediate development objectives to be achieved in the course of implementing the MUSCCO development strategy are summarized as follows:

### ORGANIZATION

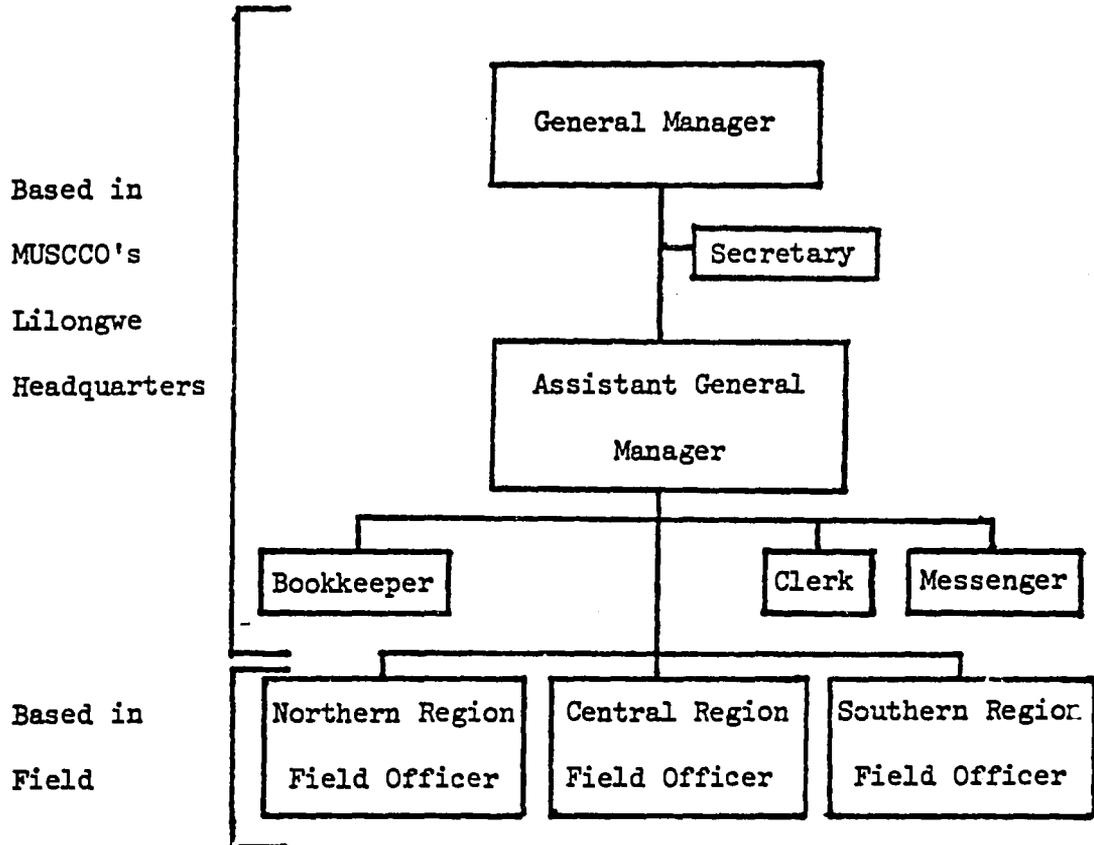
- 1) Registration of MUSCCO as a second-degree, national cooperative society.
  
- 2) Implementation of the following PEAC-approved initial organizational structure shown in Figure 1.
  - 2.1) Services management, including central finance operations, will be the responsibility of the Assistant General Manager.
  
  - 2.2) Should movement growth require it and funds be available, Assistant Field Officers will be appointed. Initially, it is expected that Peace Corps Volunteers will act in this capacity.
  
  - 2.3) Minimum qualifications for Field Officer posts will include:
    - o Appropriate experience in cooperative savings and credit society operations and management.
    - o Demonstrated skill in society accounting, budgeting and auditing.
    - o Experience in conducting formal and on-the-job training activities.
    - o Excellent motivational, human relations and communications skills.

### MANAGEMENT

- 1) Institutional analysis of MUSCCO system development needs com-

FIGURE 1

MUSCCO ORGANIZATIONAL STRUCTURE



pleted, five-year development plan prepared and initiated.

2) Basic system designed, completed, and staff trained in their operation; initial systems to include:

- 2.1) An organizational planning system identifying goals, required policies, implementation strategies, measurable objectives (output targets) and evaluation methods.
- 2.2) Financial management systems for budgeting and funds appropriation; cash flow analysis and control; accounting, reporting and auditing procedures; billing, collection and funds transfer; capitalization and central fund management; costing and pricing of services.
- 2.3) Operations management systems for planning, implementation, evaluation, and information management in each MUSCCO program or service area.
- 2.4) Personnel system, including basic policy and procedures for development of task-based job descriptions; objective performance appraisal standards; position grading and incentive system.
- 2.5) Office administration systems, including filing; petty cash receipts and disbursements; job and report scheduling; inventory control.

- 2.6) Training system, including: needs identification; program design, implementation and evaluation; materials preparation.

#### CAPITALIZATION AND CENTRAL FINANCE

- 1) Capitalization system approved by General Meeting of MUSCCO's member societies and implemented on an equitable basis.
- 2) MUSCCO credit policy and lending system designed, approved by Board of Directors, and implemented.

#### SOCIETY SUPPORT SERVICES

- 1) Field services (education, training and supervision) systems and procedures designed and implemented.
- 2) Risk management: fidelity bonding program implemented, if feasible and possible.
- 3) Standard society stationery (accounting forms) designed, produced and made available for sale to all societies.
- 4) National advertising and promotion program established on a shared-cost basis with societies.
- 5) Feasibility of establishing other services (including loan collection assistance for member societies) determined.

### 2.2 Society Development

The strategy for achieving this project objective involves building a

national system of creditworthy primary societies, capable of mobilizing increased amounts of savings and administering both internal and external loan funds. Key components of this strategy will include: improved technical assistance by MUSCCO to its member societies; granting of institutional development loans to eligible societies; intensive promotion of membership and savings growth in existing societies and organization of new ones; development of new financial services at both the MUSCCO and society levels.

#### TECHNICAL ASSISTANCE TO SOCIETIES

The frequency and quality of technical assistance to member societies will be improved by: 1) increasing the number of Field Officers from 2 to 3, while reducing their administrative duties through creation of a MUSCCO managerial and support staff; 2) providing motorcycles for Field Officers and a four-wheel drive vehicle for office staff to decrease transport delays; and 3) adapting the previously mentioned WOCCU/CUNA Global Projects institutional analysis techniques to develop and document improved society management systems to be implemented by MUSCCO Field Officers.

The field staff will be trained to employ a systematic society inspection/examination procedure to identify all major financial and management problems related to society operations and to implement appropriate solutions. Their training will include: society bookkeeping and accounting; financial break-even analysis, forecasting and budgeting; membership and savings promotion; standard society inspection and audit procedures; risk management program operations; credit administration and delinquency control.

The operational strategy for transferring these improved management techniques to societies will include:

- o National, regional and local seminars for society committee members
- o Intensive society manager/treasurer training programs
- o On-the-job training and supervisory visits to societies by MUSCCO Field Officers

These training and on-the-spot technical assistance activities will be objectives-based. That is, they will be designed to achieve specific institutional development objectives identified during needs assessments and examinations performed at the society level by MUSCCO Field Officers. Successful implementation of these technical assistance activities will be measured in part by the number of societies meeting the following basic management standards.

- 1) Record-keeping: fully implemented filing system based on MUSCCO guidelines; appropriate storage facilities; members register up-to-date.
- 2) Reporting: monthly financial statements and risk management coverage reports submitted to MUSCCO by the close of the following month; delinquency reports prepared at least quarterly; names of directors submitted to MUSCCO annually; annual loans granted report submitted to MUSCCO; committee minute books up-to-date.
- 3) General management: written policies approved and implemented (including personnel, administration, services, membership); annual

work plan implemented; regular committee and general membership meetings.

- 4) Financial management: annual budget prepared and reconciled with actual performance quarterly; books of account up-to-date; bank reconcilements up-to-date; bad debt reserve established; delinquency 10% or less of total portfolio.
- 5) Internal control: cash count performed monthly; subsidiary ledgers reconciled quarterly; passbooks reconciled bi-annually; society inspected annually and audited bi-annually.
- 6) Credit administration: written loan policy approved and implemented; MUSCCO-approved, detailed credit committee minutes format employed; delinquency control and loan collection systems implemented; loan write-off policies and procedures implemented.
- 7) External obligations: MUSCCO dues, capitalization, loan repayments and service fees fully paid; ACOSCA dues fully paid.

#### INSTITUTIONAL DEVELOPMENT LOANS

Institutional development loans from the MUSCCO central finance facility will enable eligible societies to meet the costs of buying essential office equipment (adding machines, calculators and safes), paying manager salaries, and building appropriate office facilities or making improvements to existing ones. While relatively small (an estimated upper limit of probably MK 1,800 to MK 2,000 each), these loans would provide an important stimulus to the MUSCCO system's

growth and development. Credit union experience in other developing nations suggests that the major benefit of such a program is growth at the society level and increased and improved services to members and their communities. Employment of a full- or part-time manager and the opening of an office typically increase society growth rates by: facilitating savings deposits and loan repayments by members; creating opportunities for new members to join; improving public confidence in the society and the security of members' funds; providing a convenient meeting place for membership promotion, training, and educational activities.

Additional benefits of the institutional development loan program include: 1) incentives for member societies to meet their capitalization and dues obligations to the national association; 2) motivating societies to improve their operating performance in order to meet the national association's creditworthiness criteria (such as the basic management standards listed previously); 3) providing experience in external credit administration involving relatively low-risk loans; 4) generating increased earned income for the national association; 5) stimulating the national association to improve its society management training and support activities in order to assure recovery of its loans.

Specific design considerations of the institutional development loan program are discussed in Appendix I.

#### SOCIETY PROMOTION

Promotion activities included in the MUSCCO growth strategy involve:

- o Training society leaders and managers in the design and implementation of local savings and membership growth campaigns.
- o Development of a national advertising program to be funded by societies and MUSCCO on a shared-cost basis.
- o Joint MUSCCO-government public education programs with the Ministries of Trade, Industry and Tourism, and Community Development.
- o Seminars and meetings with employee organizations, government and business leaders.
- o Continued coordination with traditional movement support organizations, including the rural missions.

Intermediate, end-of-project, and potential post-project growth projections based on the project objective of increasing annual growth rates by thirty percent are shown in Table 7. The project's predicted impact on movement growth, as compared to current growth trends, is presented in Table 8. A graphic representation of the project impact on total movement savings is shown in Figure 2. These projections are purposefully conservative. Intensified rural promotion combined with successful organization of key employee groups in the public and private sectors could result in substantial increases over and above the current projections. While this would put an additional burden on MUSCCO Field Officers, it would also generate revenues for the national association which could be used to increase its field staff.

#### NEW SERVICES

Improved management and growth at the society level will create demands for and the capability to provide additional financial and other member services. As part of its society development strategy,

TABLE 7

MUSCCO PROJECT GROWTHOBJECTIVES (1)

<u>INDICATORS (2)</u>	<u>1979</u>	<u>(SOP)</u>			<u>(EOP)</u>			
		<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1989</u>
Society members	6,552	7,742	9,436	11,130	12,824	14,519	16,213	22,989
Family beneficiaries (3)	32,760	38,710	47,180	55,650	64,120	72,595	81,065	114,945
Number of societies	18	24	27	30	33	36	39	51
Total savings	MK 281.5	363.0	478.7	604.6	740.8	887.3	1,044.1	1,774.0
Loans outstanding (4)	MK 293.5	326.7	430.8	544.1	666.7	798.6	939.7	1,596.6

Notes: 1) Data are estimated at year-end. 1985 is considered end-of-project; 1980 start-of-project. 1989 figures are shown to indicate potential impact after a decade of development.

2) Financial data are thousands of Malawi kwacha.

3) Family beneficiaries represent total family members benefitted by each individual membership; it is estimated at five times society members.

4) Estimated at 90% of total savings (the current Loan/Savings ratio is 1.043).

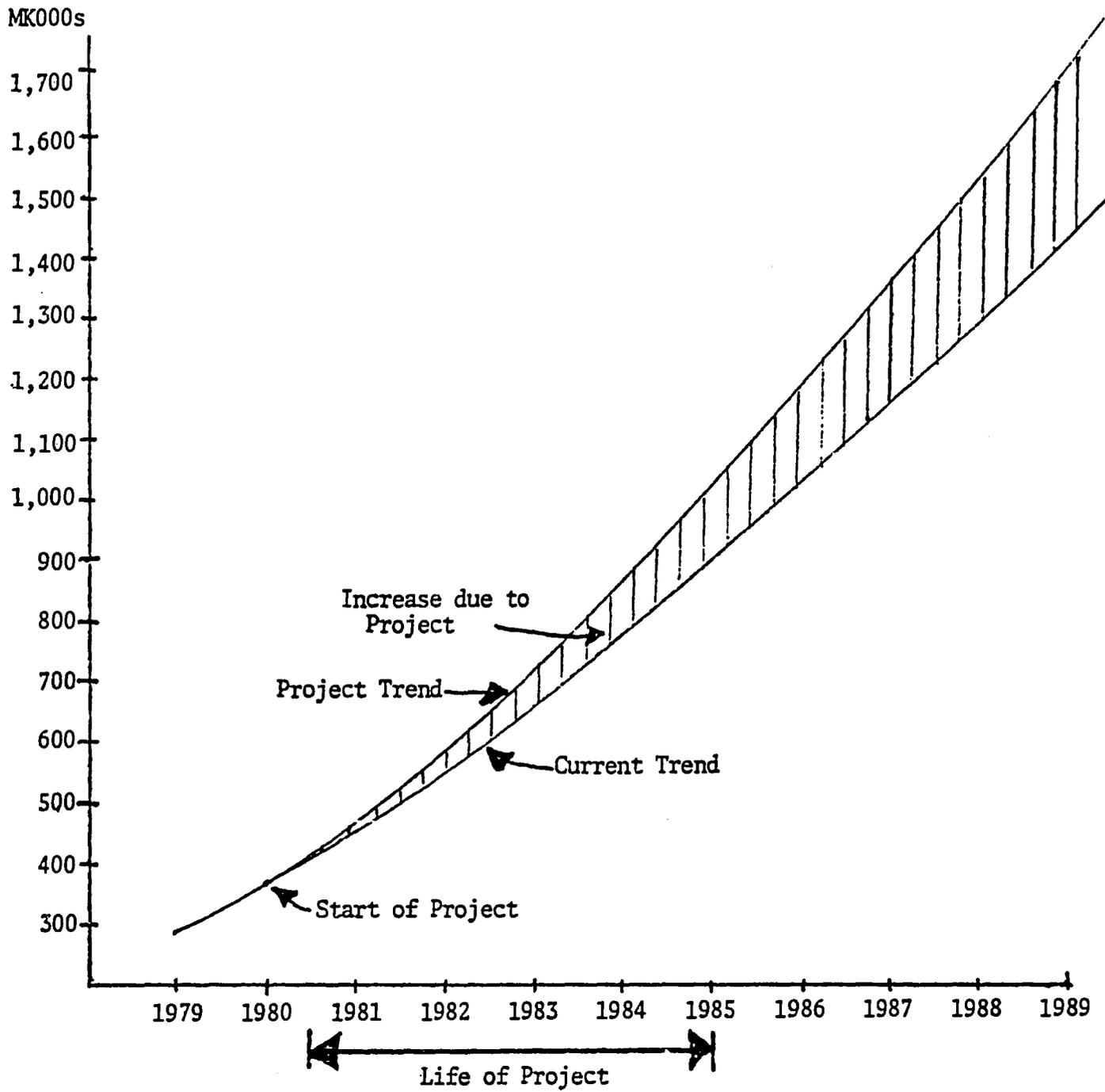
TABLE 8

PROJECT GROWTH IMPACT: COMPARISON OF CURRENT TREND DATAWITH PROJECT-INDUCED GROWTH TREND AT EOP, 1985(Financial data are MK000s)

	<u>End-of-Project Value</u>		<u>Project Impact</u>	
	<u>Current Trend</u>	<u>Project-Induced Trend</u>	<u>Absolute Increase</u>	<u>Percentage Increase</u>
Membership	14,258	16,213	1,955	13.7%
Total Savings	MK 886.9	1,044.1	157.2	17.7%
Loans Outstanding	MK 798.2	939.7	141.5	17.7%

FIGURE 2

PROJECT IMPACT ON TOTAL MOVEMENT SAVINGS



the project activities will include determining the feasibility of introducing such additional services as:

- 1) New types of savings accounts (time and savings deposits).
- 2) Non-share secured loans (character lending, pledged personal assets, etc).
- 3) Distribution of agricultural inputs.
- 4) Specialized loan programs, including small farmer production credit and small business development lending.

### 2.3 Financial Self-Sufficiency

The project strategy related to this objective involves strengthening the institutional capabilities and economic base of the Malawi credit union system. This will permit MUSCCO to institute, operate and, by end-of-project, begin major expansion of its central finance operations. This expansion will probably include the acquisition and re-lending of external capital to member societies. The net interest revenues (margin) generated by these operations should ultimately become MUSCCO's principal revenue source.

The project's development strategy does not envision MUSCCO reaching financial self-sufficiency by the end of the initial five-year assistance period. Current projections indicate that MUSCCO's revenues will cover about 35% of its operating costs by 1985 (see subsection D.2.5). Achievement of this limited objective represents the first stage in

the long term development of a viable, national credit union financial system in Malawi. As in other emerging nations, the credit union development process in Malawi will probably involve some variation of these basic stages:

**Stage 1:** Broad project-oriented technical assistance and grant funding for capital and budget items.

**Stage 2:** Limited focus technical assistance and concessional lending.

**Stage 3:** Paid consultancies and commercial lending.

For example, several national movements in the COLAC system of Latin American credit unions are currently evolving from stage two operations into the commercial market environment of stage three.

The initial, five-year component of MUSCCO's financial self-sufficiency strategy involves application of the financial plan included in section E. This plan, while permitting periodic adjustments, will guide initial MUSCCO operations until future alternative financial strategies can be designed, evaluated and applied.

Preparation of the initial plan (and future ones) includes definition and estimation of all cost and revenue items of the national association. Cost items include staff, office and other necessary expenses at a level of operations consistent with achievement of institutional

development objectives and society service requirements. Revenue items include dues, service fees, and net interest margin on central finance operations. The resultant financial self-sufficiency strategy specifies in quantified, economic terms the level of investment in manpower, training, travel, etc., required to produce movement growth which, in turn, will generate increased income streams adequate to support the national association.

Principal components of the initial strategy are briefly discussed below. The various rates involved should be considered flexible; they reflect initial decisions of PEAC but are naturally subject to change in response to movement needs and financial market conditions.

#### CAPITALIZATION

Society share investments will be the major source of equity capital for MUSCCO. In addition to voluntary shares, societies will be expected to maintain minimum MUSCCO share balances comprised of:

- 1) Liquidity Provision: 5% of each society's total savings.
  
- 2) Loan Capitalization: 5% of each central finance loan granted to a member society.
  
- 3) Reserve Requirement: Purchase of MUSCCO shares in the amount of each society's statutory reserve.

Capital funds not on loan to societies would be invested in approved financial institutions.

### CENTRAL FINANCE

Initially, operations would probably be limited to institutional development loans and well-secured liquidity support advances to member societies. As experience is gained, pilot agricultural production and small business development credit programs (if determined feasible) would be initiated and, if successful, expanded to other eligible societies.

### REVENUES

Principal revenue items for MUSCCO will include:

- 1) Central finance margins produced by the interest rate spread between earnings on loans and deposits, and the capital cost of dividends paid on society shares. Initial financial plan estimates are based on a 9% interest rate charged on loans and 5% paid on shares.
- 2) Annual MUSCCO dues rate charged to societies of 1% of their previous year-end member savings balance. This charge would be discounted for the first two years at rates of 50% in the first and 25% in the second.
- 3) ACOSCA dues would continue to be billed directly to societies and passed through to the continental confederation (the current rate is 0.08% of total savings).
- 4) Stationery, office equipment and other supplies sold to societies would have a 20% mark-up.

- 5) Minimum seminar tuition fees would be charged on a per participant basis and billed to societies.
- 6) Risk management commissions will be earned by MUSCCO at a rate of 6% of premiums paid to MUSCCO for its term life coverage on society shares and loans.
- 7) Fees for other services, probably including audits and specialized technical assistance, will be determined on a cost-recovery basis, after allowing for subsidy requirements during their early, start-up years.

#### **2.4 Society Auditing**

A critical component of the project strategy related to achievement of both the MUSCCO and society development objectives is improved and more frequent society audits. This is necessary to assure sound financial management practices and the security of members' savings deposits, and to improve the public image of cooperative societies. Accordingly, project funds have been budgeted to include the costs of audit training for both MUSCCO Field Officers and Cooperative Auditors of the Ministry of Trade, Industry and Tourism.

Training for auditors will be objectives-based and designed in accordance with needs assessments conducted for MUSCCO and ministry staff. A by-product of their training process will be the preparation of an auditor's manual detailing the procedures, tests and required reports for a standard society audit.

## 2.5 Institutionalization

The project is designed to establish the MUSCCO system on a sound financial, technical and operational basis. Nevertheless, MUSCCO's institutionalization process will not be completed by the end-of-project. Additional, more sophisticated technical problems will emerge as a result of development which will require assistance from ACOSCA and other movement-related institutions. Similarly, MUSCCO will need to obtain additional grant assistance and increase its earned income to cover its expected operating deficits after 1985.

Planning for the post-project stage of MUSCCO's development will begin during year three of the current project and will involve preparation of a technical and financial self-sufficiency strategy based on the movement's status and expectations at that time. This strategy will most probably include continued financial assistance to MUSCCO as part of a follow-on development activity. It is not assumed that U.S.A.I.D. nor the Government of Malawi would be required to fund any portion of such a project. Various European, Canadian and international development institutions have clearly demonstrated their willingness and capability to provide financial support to credit union movements in the developing countries of Africa. This is particularly the case when such assistance does not include the expenditure for technical assistance necessary in this initial project.

Despite the probable need for continued, post-project financial assistance, MUSCCO may be considered economically viable. Credit union systems in developing countries typically require ten to twenty years to reach a volume of operations which will support a full-service

national association. Successful organization of societies among employee groups in Malawi's rapidly growing modern sector should provide a major portion of the required volume, while generating "excess" savings which can be channeled to rural areas through MUSCCO's central finance operations. The potential size of this sector of Malawi's credit union development market is suggested by recent Reserve Bank of Malawi data:

- o In 1978, total paid employment in Malawi averaged 338,883, and grew at an annual compound rate of 11.5% during the previous three years.
- o Annual earnings of paid employees reached MK 144.9 million in 1978, growing at 17.4% per year from 1975 to 1978.

### 3. Design

During the five years of the project, the cooperative savings and credit society movement in Malawi will be strengthened financially and technically, creating a strong institutional base for further growth and development. The project will result in an expanded MUSCCO staff, with adequate skills to meet member society needs; defined operating policies, systems and procedures for both MUSCCO and societies; and significant increases in movement membership, savings and loans.

Critical design elements for each project objective are summarized below.

#### 3.1 MUSCCO Development

##### Required Inputs:

- o Commodity assistance and budget support for MUSCCO operating expenses.
- o Qualified and motivated personnel to fill new staff positions.
- o Technical assistance to MUSCCO to define critical operating objectives, processes, systems and procedures; and to train staff.

End-of-Project Outputs:

- o Registration of MUSCCO.
- o Qualified staff employed.
- o Basic internal management systems operating and producing expected output in accordance with MUSCCO work plans and budgets.
- o Central finance facility capitalized and operating, including pilot small farmer production credit and small business development credit programs.
- o Society support services provided; output meeting quality and quantity standards specified in MUSCCO work plans.

**3.2 Society Development**

Required Inputs:

- o MUSCCO budget support to finance technical assistance activities for member societies and Ministry Cooperative Section.
- o Seed capital and commodities assistance for MUSCCO's institutional development loan program.
- o Technical assistance to develop improved society management and auditing systems, provide training, and implement promotion strategies.
- o Government-sponsored society auditing and loan collection enforcement.

End-of-Project Outputs:

- o Representative societies meeting most basic management standards and experiencing improved financial performance.
- o Paid society managers employed where feasible.
- o New services implemented where feasible.
- o Increases over current movement growth trends:
  - Membership by 1,955 to 16,213
  - Savings by MK 157,200 to MK 1,044,100
  - Loans outstanding by MK 141,500 to MK 939,700

### **3.3 Financial Self-Sufficiency**

#### **Required Inputs:**

- o Dues, interest, loan and fee payments to MUSCCO from member societies.
- o Budget support to finance MUSCCO's growth programs, including society organization and membership and savings promotion.
- o Capitalization of MUSCCO central fund by member societies and U.S.A.I.D.
- o Technical assistance to strengthen MUSCCO central finance operations, prepare feasibility analyses and develop pilot projects.
- o Government of Malawi cooperation in developing appropriate financial market policies, mobilizing capital resources, and coordinating complementary agriculture and small business development programs.

#### **End-of-Project Outputs:**

- o MUSCCO 35% self-sufficient and its earned income increased to MK 21,000 (\$26,250).
- o Paid-in MUSCCO shares of MK 67,700, total central fund of MK 107,700.
- o MUSCCO loans outstanding of MK 56,000.
- o Second MUSCCO five-year development plan prepared and required external resources committed.
- o Movement growth trends established indicating achievement of financial self-sufficiency by MUSCCO within a reasonable period of time.

### **4. Implementation Schedule**

The accompanying implementation plan (Figure 3) summarizes the preliminary scheduling of key project activities. It will serve as the basis for developing the MUSCCO five-year plan on which annual work plans and operating budgets will be based.

Circles show target dates for single activities.  
 Bars show implementation period and completion quarter.

ACTIVITIES	YEAR 1				YEAR 2				YEAR 3				YEAR 4				YEAR 5			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
<u>Pre-Project</u>																				
- Proposal prepared, submitted and reviewed.																				
- Technician recruitment initiated																				
- Project approved, funds allotted, agreement signed.																				
<u>Start of Project</u>																				
- Final technician candidates selected and nominated.....																				
- Technician hired.....																				
- New MUSCCO staff recruitment begun.....																				
- Technician orientation conducted at GPO..																				
- Technician arrives at post.....																				
- MUSCCO staff selected and hired.....																				
- MUSCCO by-laws approved.....																				
- MUSCCO registered.....																				
- Institutional analysis conducted, Five-year Plan and first-year plan prepared.																				
- MUSCCO management and operating systems designed.....																				
- MUSCCO staff training conducted.....																				
- Capitalization system approved and implemented.....																				
- Central finance credit policy approved and lending system designed.....																				
- Institutional development and liquidity support lending implemented.....																				
- Society management systems designed.....																				
- Society leadership and manager training conducted.....																				
- National advertising program designed and implemented.....																				
- Feasibility of small farmer production credit and small business development credit programs determined.....																				
-- If feasible, pilot projects initiated.																				
-- If pilots successful, programs expanded.....																				

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ACTIVITIES	YEAR 1				YEAR 2				YEAR 3				YEAR 4				YEAR 5			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
- Feasibility of establishing new financial services determined.....												○								
-- If feasible, pilots initiated.....												○								
-- If successful, programs expanded.....												○								
- Evaluation implemented.....																				
-- Monitoring visits.....				●				●												●
-- Assessment conducted.....												●								
-- Final evaluation performed.....																				●
- Technician on-site.....																				
- Follow-on project study conducted.....																				
-- Development plan prepared.....												○								
-- Proposals prepared.....															○					
-- Funding commitments obtained.....															○					
- End-of-Project																				●

## 5. Evaluation

The project design in sub-section D.3, the MUSCCO Five-Year Development Plan (as adjusted periodically), and annual project work plans, will be used to prepare the evaluation design. The evaluation approach to be employed includes three elements: monitoring, assessment and final evaluation. Monitoring is essentially project supervision. It includes quarterly reviews of project work plans, financial statements, budgets and progress reports as well as field visits by Global Projects and ACOSCA monitors. These visits will primarily focus on resolving any implementation problems, providing technical support, and participation in developing objectives and plans for the following year.

Assessments are interim evaluations designed to measure achievement of project objectives and, where appropriate, factors related both to successes and failures. As a result, assessments may result in modifications to the project design and implementation strategy. The central purpose of this project assessment will be to assist MUSCCO in measuring and evaluating trends established during its first three years of operation. The conclusions reached in this process will guide MUSCCO in preparing its post-project technical and financial development strategies.

MUSCCO project assessment is scheduled for year three and will include participants from MUSCCO, the Ministry of Trade, Industry and Tourism, ACOSCA and Global Projects. Operating performance of both MUSCCO and member societies will be measured using sample survey techniques against minimum standards established for critical institutional functions and processes. Needs assessments will be conducted at the national and

local levels to specify technical assistance requirements for the ensuing two years. The financial status of the system will also be evaluated, including analysis of society earnings trends, MUSCCO's cost, revenue and capital structures, and its performance against the initial financial plan. Finally, movement growth will be measured against interim objectives.

The final evaluation will focus on the degree of achievement of the three end-of-project objectives and measurement of project-goal-level benefits of the MUSCCO system for its membership. These will include increased production and incomes, improved standards of living, greater access to health and educational facilities, and expanded participation of women. Data sources will include MUSCCO and society loan applications, member registers, credit use reports, committee reports, financial statements, interviews, and survey observations from a representative sample of societies. The evaluation design will be prepared by MUSCCO, ACOSCA and Global Projects; the implementation team will include, in addition to these organizations' representatives, at least one participant each from the Ministry of Trade, Industry and Tourism, the Malawi cooperative movement, and the U.S. credit union movement.

## E. FINANCIAL PLAN

### 1. Host Country Contributions

Financial support for the Malawian credit union system during the life of this project will come from two principal sources: society members and U.S.A.I.D. Member contributions will consist of savings deposits (the

system's capital base) and interest payments (the movement's primary source of operating income). Most of these financial resources will be used at the society level of the system, although a portion will be channelled to MUSCCO in the form of central fund capitalization, dues and service fees. U.S.A.L.D. inputs will be concentrated at the national level of the system, providing partial budget support, technical assistance, commodity and seed capital assistance to MUSCCO. These are detailed in subsection E.3.

Total contributions to the MUSCCO system during the life of the project are summarized below:

	<u>Amount (MK000s)</u>	<u>Percentage</u>
Members savings deposits	681.1	41.6%
Estimated interest payments	<u>336.4</u>	<u>20.6%</u>
Malawian Funding	1,017.5	62.2%
U.S.A.I.D. Funding (\$774,243)	<u>619.4</u>	<u>37.8%</u>
TOTAL	1,626.9	100.0%

These contributions are in addition to previous savings investments in the system by members totaling MK 281,500 at year-end 1979 and which are estimated to reach MK 363,000 by December 1980.

Additionally, up to 225 person-days per year of volunteer labor will be contributed voluntarily by the elected leadership of each society. At least 40 person-days per year will be contributed by MUSCCO elected committee officials. Finally, the Government of Malawi will support the movement's development through the activities of the Cooperative Section

of the Ministry of Trade, Industry and Tourism. Credit unions make up all but three of Malawi's operating cooperatives; accordingly the major focus of the Section's 3-person staff will be on MUSCCO and its member societies.

## 2. Benefit-Cost Relationships

The principal benefit of this project will be the establishment of a strong cooperative financial system serving diverse urban and rural groups throughout Malawi. Economically, this benefit will be reflected in increasing total movement savings, loans and interest income. Participation in the system will benefit members by providing them with financial services not otherwise available. These services will, together with other socio-economic factors, contribute to increased income and productivity, improved standards of living, expanded access to health and educational facilities, and greater financial security for the members, their families and the nation as a whole. Detailed quantitative analysis of these benefits will be attempted during the project's final evaluation. For purposes of this initial design, however, project benefits will be assessed only in terms of total membership and beneficiaries served, additional savings mobilized, and incremental interest income paid into the system. Costs are defined as total U.S.A.I.D. contributions (\$774,243); benefit figures are based on end-of-project forecasts.

- o Cost per individual society member is \$47.75. ( $\$774,243 \div 16,213$ ).
- o Cost per family member is \$9.55 ( $\$774,243 \div 81,065$ ).
- o Additional savings mobilized due to project-induced increases in system growth rates are expected to total \$196,500 (MK 157,200). Therefore, each \$100 of A.I.D. support will produce an additional \$25.38 of locally generated savings invested in the system ( $\$196,500 \div \$774,243$ ).
- o Total savings paid into the movement during the project are forecasted to total \$851,375 (MK 681,100). Each \$100 of A.I.D. support will be matched with \$109.96 of local savings ( $\$851,375 \div \$774,243$ ).

- o Incremental interest payments by members due to project-related growth are projected at \$77,900 (MK 62,300). Incremental interest per \$100 of A.I.D. assistance is \$10.06 (MK 8.05).
- o Total interest income to the system during the project is estimated at \$420,500 (MK 336,400). Each \$100 of A.I.D. income will be matched by \$54.31 (MK 43.45) in locally generated income.

### 3. Project Budgets

The project financial plan is detailed in the following five budgets and related working papers. Total funds requested from U.S.A.I.D. for the five-year period are summarized in Budget No. 1. Budget support requirements for MUSCCO are summarized in Budget No. 2; the accompanying working papers and notes detail projected MUSCCO income, expenditure, and central finance operations and their corresponding assumptions. CUNA's costs of providing one resident technical advisor and, together with ACOSCA, the costs of short-term consultancy, are presented in Budgets Nos. 3 and 3.1. These budgets include the travel and personnel costs of project evaluation, monitoring and interim assessment. Commodity costs for MUSCCO operations and the commodity and cash components of the institutional development loan program (discussed in Appendix I) are included in Budget No. 4. Related agency technical assistance costs are detailed in Budget No. 5. These include commodities and support costs for Peace Corps Volunteers assigned to MUSCCO, and the costs of conducting audit and examination training for MTIT Cooperative Auditors, MUSCCO Field Officers, and other selected individuals. Commodity costs of this and other project-sponsored training activities are included in Budget No. 4.

These budgets represent income and expenditure guidelines; annual budgets will probably be different although the total U.S.A.I.D. funds request will not be exceeded. Commitments on expenditures in excess of fifteen

percent of the main headings of expense categories included in Budget No. 1 must have A.I.D.'s prior approval in writing.

D. Section 611(a) Statement

Section 611(a) of the FAA of 1961 as amended, requires that, prior to obligation of funds in excess of \$100,000, there must be engineering, financial and other plans necessary to carry out the assistance and a reasonably firm estimate of the cost to the U.S. of such assistance. There is no construction planned in this project and, thus, no engineering analysis required. With regard to the financial plan for this activity, however, the AID Representative in Malawi has thoroughly reviewed this proposal and indicates that, on the basis of the financial plans and procedures in this proposal, the costs to the U.S. are reasonably firm estimates, the intent of Section 611(a) of the FAA has been met.

## APPENDIX I

### INSTITUTIONAL DEVELOPMENT LOANS

Key policy issues related to the institutional development loan program, as well as essential financial considerations, are discussed in the following two subsections of this appendix.

#### 1. Policy Considerations

Institutional development loans will be granted to societies in accordance with MUSCCO's lending policy. It is probable that this policy will include some or all of the following stipulations:

- 1) Qualifying societies would be in compliance with most of the basic society management standards listed in subsection D.2.2.
- 2) Borrowers would have fidelity bonds (if available).
- 3) The application would include a financial plan for the life of the loan demonstrating that share growth and increased net earnings will be sufficient to meet the scheduled repayment obligations.
- 4) Adequate security would exist in the borrowing society's MUSCCO share account and/or other pledged assets.
- 5) Manager salary loans would be disbursed periodically through bank transfers. The maximum term would probably not exceed two years and repayment would be made in a manner similar to the original disbursement. MUSCCO approval of a suitably qualified and trained manager would be required.

- 6) Equipment loans might be granted under slightly less stringent conditions, due to their lesser value, the relative ease of repossession, and the need of nearly all societies for such basic tools as adding machines, calculators and safes. If possible, such assets would be insured.
  
- 7) Office construction materials loans would be granted to societies with paid managers and demonstrated growth potential, in addition to their meeting the other lending criteria. MUSCCO's participation in the total construction costs would not exceed 50% and it would secure clear title to the property. Insurance, title and tax costs would be paid by the borrowing society. Maximum term should not exceed 5 years. Institutional development loans in this category would be limited to materials costs of constructing improved credit union office facilities. Buildings designed for rental or other non-related business purposes would not be financed by this program.
  
- 8) All borrowing societies in the event of default, misapplication of funds or other contract breach, would be subject to management intervention by MUSCCO. Annual audits would be required at society expense and unrestricted access to the society's records would be guaranteed to MUSCCO.

Experience gained in operating the institutional development loan program will serve as the basis for designing and testing the feasibility of other specialized credit programs.

## 2. Financial Considerations

A financial appraisal of the institutional development loan program in-

volves analysis of the earnings levels and corresponding repayment capabilities of individual societies, the size and terms of the loans themselves, and the total volume of savings required to support their loan repayment. Society net earnings rates are used to calculate the break-even level of average savings necessary for a society to generate net income equal to its loan (and related) obligations. These earnings rates are discussed in subsection 2.1 below. The amount and sequence of repayment obligations and the level of related expenditures for each type of institutional development loan are estimated in subsection 2.2. These estimates are used in the final subsection (2.3) to evaluate the financial impact of the program on both individual societies and the movement as a whole.

## 2.1 Net Earnings

Net income rates (NIR) on average savings were estimated for seven societies surveyed during the project field study. These estimated NIR ranged from 1.3% to 7.4% with an average of 3.9%. None of the sampled societies had paid employees or depreciable office equipment; one society had its own office building. (Its construction materials were largely grant financed and labor was supplied by the membership.)

At this stage of development it may be assumed that fixed overhead costs are not an appreciable element of the societies' cost structures. Accordingly the NIRs are assumed to represent the societies' "contribution" or "net operating" margins; that is, the net income produced by each kwacha of total savings after subtracting variable operating costs from gross income. For societies which are reasonably

well managed, which are not overly affected by high delinquency rates, and which have most of their savings invested in loans to members, the NIR typically increases as the society grows. The project will induce both growth and managerial improvement which will be reflected in improved society earnings. Historical and projected society NIR will be considered during the loan application review and analysis process.

## 2.2 Loan Repayment and Expenses

Three types of institutional development loans are considered below in analyzing the financial implications of society participation in the program. These are: 1) equipment loans; 2) manager's salary loans; and 3) office construction loans. Annual interest is assumed (for initial calculations purposes only) to be 9% and paid quarterly on the previous quarter's outstanding balance (as noted previously, all such rates will be subject to change in response to financial market conditions and movement needs). Equipment loans would be effective at the time-of-sale; manager's salary loans would be disbursed quarterly; office construction loans are assumed granted in a single disbursement. Collection of equipment and office loans is assumed to begin at the start of the first quarter after disbursement. Collection of salary loans is assumed to begin at the start of the first quarter after the last disbursement.

Assumed annual depreciation rates are: adding machines 10%; calculators 20%; safes 5%; office buildings 5%. Full purchase price of acquired assets is assumed for equipment loans. Office construction

cost is estimated at MK 3,000, with MUSCCO financing set at 50%. (This total cost is somewhat higher than costs estimated during the society survey. It has been selected to reflect inflation and probable rising expectations on the part of society members and leaders.)

Manager salary loans are estimated at MK 75 per month; related overhead costs MK 100 per year. Office maintenance overhead costs are estimated at MK 150 per year. All other costs are considered variable and hence subsumed under the calculated NIR. Table A-1 summarizes this information.

Sample loan repayment schedules are presented in Table A-2. Repayment rates are based on the principal amounts in Table A-1 and repayment methods specified in the text.

### 2.3 Financial Impact and Absorptive Capacity

Table A-3 shows estimates of the financial impact of borrowing for institutional development purposes on a typical society. That is, it shows the average total savings which a society would need in order to generate net income sufficient to meet its loan-related cash obligations (case A) and to meet both cash and non-cash obligations (case B).

These required levels of average savings are shown for each type of loan and for the sum of all three loans.

Comparison of these levels of required savings for each type of loan with the society data shown in Table A-4 demonstrates that many societies are already large enough to participate in the institutional development lending programs (under the assumptions presented). This is summarized in Table A-5. Ten societies are now large enough to

TABLE A-1

INSTITUTIONAL DEVELOPMENT LOANS  
AND ASSOCIATED ANNUAL COSTS (MK)

<u>Loan Components</u>	<u>Principal</u>	<u>Term</u>	<u>Association Annual Fixed Costs</u>			<u>Total</u>
			<u>Salaries</u>	<u>Depreciation</u>	<u>Other</u>	
<u>Equipment Loans</u>						
Adding Machines	132	24 mo.	-	13.20	-	13.20
Calculator	32	12 mo.	-	6.40	-	6.40
Safe	<u>180</u>	24 mo.	-	<u>9.00</u>	-	<u>9.00</u>
	344			28.60		28.60
<u>Salary Loans</u>						
MK 75 per month	1,840	48 mo.	900	-	100	1,000
<u>Office Loans</u>						
50% of MK 3,000 Construction Cost	1,500	60 mo.	-	150	150	300

TABLE A-2

SAMPLE LOAN REPAYMENT SCHEDULES

<u>Loan Categories</u>	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>YR 5</u>	<u>YR 6</u>
<u>Equipment Loans:</u>						
Principal	49.50	66.00	16.50			
Interest	<u>7.80</u>	<u>5.20</u>	<u>0.40</u>			
Total	57.30	71.20	16.90			
 <u>Salary Loans:</u>						
Principal			900.00	900.00		
Interest	<u>30.00</u>	<u>110.00</u>	<u>131.00</u>	<u>51.00</u>		
Total	30.00	110.00	1,031.00	951.00		
 <u>Office Loans:</u>						
Principal	225.00	300.00	300.00	300.00	300.00	75.00
Interest	<u>96.00</u>	<u>105.00</u>	<u>78.00</u>	<u>51.00</u>	<u>23.00</u>	<u>2.00</u>
Total	321.00	405.00	378.00	351.00	323.00	77.00

TABLE A-3

FINANCIAL IMPACT ON SOCIETY  
REQUIREMENT AVERAGE SAVINGS TO MEET CASH OBLIGATION (A)  
AND REPAYMENT PLUS FIXED COSTS (B)

<u>Loan Categories</u>	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>YR 5</u>	<u>YR 6</u>
<u>Equipment Loans :</u>						
Repayment	57.30	71.20	16.90			
Cash Expenses	-	-	-			
Cash Obligation	57.30	71.90	16.90			
Required Average Savings (A)	<u>1,432.50</u>	<u>1,780.00</u>	<u>422.50</u>			
Repayment+Fixed Costs	85.90	99.80	45.50			
Required Average Savings (B)	<u>2,147.50</u>	<u>2,495.00</u>	<u>1,137.50</u>			
<u>Salary Loans:</u>						
Repayment	30.00	110.00	1,031.00	951.00		
Cash Expenses	<u>100.00</u>	<u>100.00</u>	<u>1,000.00</u>	<u>1,000.00</u>		
Cash Obligation	130.00	210.00	2,031.00	1,951.00		
Required Average Savings (A)	<u>3,250.00</u>	<u>5,250.00</u>	<u>50,775.00</u>	<u>48,775.00</u>		
Repayment+Fixed Costs	1,030.00	1,110.00	2,031.00	1,951.00		
Required Average Savings (B)	<u>25,750.00</u>	<u>27,750.00</u>	<u>50,775.00</u>	<u>48,775.00</u>		

<u>Loan Categories</u>	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>YR 5</u>	<u>YR 6</u>
<u>Office Loans:</u>						
Repayment	321.00	405.00	378.00	351.00	323.00	79.00
Cash Expenses	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
Cash Obligations	471.00	555.00	528.00	501.00	473.00	227.00
Required Average Savings (A)	<u>11,775.00</u>	<u>13,875.00</u>	<u>13,200.00</u>	<u>12,525.00</u>	<u>11,825.00</u>	<u>5,675</u>
Repayment+Fixed Costs	621.00	705.00	678.00	651.00	623.00	377.00
Required Average Savings (B)	<u>15,525.00</u>	<u>17,625.00</u>	<u>16,950.00</u>	<u>16,275.00</u>	<u>15,575.00</u>	<u>9,425.00</u>
<u>Sum of All Three Loans:</u>						
Required Average Savings (A)	16,457.50	20,905.00	41,897.50	38,800.00	11,825.00	5,675.00
Required Average Savings (B)	43,422.50	47,870.00	68,862.50	65,050.00	15,575.00	9,425.00

- Notes:
- 1) Repayment amounts include principal and interest totals for each year, as shown in Table A-2.
  - 2) Fixed costs include all cash and non-cash (depreciation) expenses as shown in Table A-1 for each type of loan.
  - 3) Cash obligation includes only net incremental cash payments which the society would have to make in order to amortize the loan or meet cash expenses associated with the activity financed by the loan.
  - 4) Required average savings for generating sufficient net income to meet loan-related cash obligations only (A) and repayments plus associated fixed costs (B), are calculated on the basis of a 4% NIR on average savings. Current maximum society lending rates are 12% per annum on outstanding loan balances; the movement-wide loan to savings ration is 1.043 with a range of 0.958 for smaller societies to 1.074 for the larger ones.

## TABLE A-4

SOCIETY SAVINGSAS OF 31 DECEMBER 1979Savings less than MK 5,000

Likuni	3,456	
Malawi Railways	2,279	
Kampini	992	
Miseza	1,005	
Umodzi	1,896	
North Rukuru	2,298	
Chilumba	1,442	
Chiputa	428	
Chipini	<u>167</u>	
SUBTOTAL		13,963

MK 5,000 to 15,000

Ekwendeni	6,810	
Mjinge	11,247	
Kafakule	11,731	
Madisi	<u>13,173</u>	
SUBTOTAL		42,961

Greater than MK 15,000

Champira	32,861	
Nkamenya	29,380	
Lunyina	30,375	
Munjiri	45,685	
Euthini	<u>86,292</u>	
SUBTOTAL		224,593

GRAND TOTAL		MK 281,517
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TABLE A-5  
NUMBER OF SOCIETIES CURRENTLY LARGE  
ENOUGH TO PARTICIPATE IN THE INSTITUTIONAL  
DEVELOPMENT LOAN PROGRAM

	<u>Savings high enough to meet cash obligation only</u>		<u>Savings high enough to meet both repayments &amp; fixed costs</u>	
	<u>Maximum Required Savings</u>	<u>Number Societies</u>	<u>Maximum Required Savings</u>	<u>Number Societies</u>
Equipment loans	1,780	13	2,495	10
Salary loans	50,775	5	50,775	1
Office loans	13,875	5	17,625	5
Sum of all three	66,430	2	70,895	1

make repayments and meet related fixed costs for equipment loans, five for office loans, and one for a salary loan. This would suggest the following potential loan volume in the program's first year:

	<u>Amount (MK)</u>	<u>No.</u>
Equipment loans	3,440	10
Salary loans	900	1
Office loans	<u>7,500</u>	<u>5</u>
TOTALS	11,840	16 (to 10 societies)

The total average savings of borrowing societies required to support this loan volume would be approximately MK 163,850, or about 58% of total movement savings at year-end 1979. Assuming: 1) that this proportion holds true for future years; 2) that the same mix of equipment, salary and office loans also holds (producing a ratio of institutional development loans to required average savings of 0.072; and 3) that savings projections are accurate, it is possible that the Malawian credit union system will be able to absorb slightly more than MK 40,000 in institutional development loans by 1985. This is shown in Table A-6.

These estimates are both conservative and highly tentative. They are intended only to indicate the potential magnitudes of the program.

TABLE A-6

ESTIMATED ABSORPTIVE CAPACITY FOR  
INSTITUTIONAL DEVELOPMENT LOANS, 1981-1985

(MK000s)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Average Total Movement Savings (ATMS)	420.9	541.7	672.7	814.1	965.7
Proportion (58%) of ATMS available to support Institutional Development Loans (IDLs)	244.1	314.2	390.2	472.2	560.1
Estimated IDLs absorbed by movement: Annual increase	17.6	5.0	5.5	5.9	6.3
Total outstanding	17.6	22.6	28.1	34.0	40.3

MOVEMENT-WIDE statisticsAs of 31 December, 1979

<u>NUMBER</u>	<u>SOCIETY</u>	<u>MEMBERS</u>	<u>SHARES</u>	<u>LOANS</u>	<u>ASSETS</u>
<u>NORTHERN REGION</u>					
	Mumjiri	1,041	45,685	46,185	52,527
	Euthini	1,787	86,292	95,575	100,872
	Champira	899	32,861	36,790	38,175
	Ekwendeni	205	6,810	5,812	6,830
	Mjinge	212	11,247	11,765	12,751
	Lunyina	354	30,375	30,628	32,128
	Kafukule	40	11,731	11,736	11,850
	North Rukuru	72	2,298	2,192	2,350
	Chilumba	18	1,442	1,111	1,458
9	SUB-TOTALS	4,628	228,741	241,794	258,941
<u>Central Region</u>					
	Madisi	679	13,173	10,194	15,124
	Likuni	176	3,456	2,844	3,770
	Kampini	82	992	879	1,041
	Miseza	45	1,005	960	1,055
	Nkamenya	399	29,380	31,469	32,433
	Chiputu	40	428	365	483
6	SUB-TOTALS	1,421	48,434	46,711	53,906
<u>SOUTHERN REGION</u>					
	Malawi Railways	76	2,279	2,351	2,467
	Umodzi	230	1,896	2,604	2,650
	Chipini	8	167	85	188
3	SUB-TOTALS	314	4,342	5,020	5,305
18	TOTALS	6,363	281,517	293,525	318,152

BUDGET NO. 1PROJECT COST SUMMARYTOTAL USAID FUNDS REQUEST FOR 1980 - 1985, IN U.S. DOLLARS

<u>DETAIL BUDGET REF. NO.</u>	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>Yr 5</u>	<u>TOTAL</u>
2 - MUSCCO Budget Support Requirements	67,935	70,061	66,943	65,096	65,756	335,791
3 - MUSCCO Technical Assistance	100,639	79,750	98,449	7,122	16,986	302,946
3 - Commodities and Capital Contribution	65,800	23,953	6,250			96,003
5 - Related Agency Technical Assistance	<u>17,329</u>	<u>11,328</u>	<u>5,165</u>	<u>5,681</u>		<u>39,503</u>
TOTALS	251,703	185,092	176,807	77,899	82,742	774,243

## : III-2 :

	<u>PERSON-MONTHS</u>	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>YR 5</u>	<u>TOTAL</u>
5 RT Mareru-LL, ACOSCA Consultation		220	242	266	293	322	1,343
Technician's Per Diem:							
In-Country(60 days/ yr @20/day)		1,200	1,200	1,200			3,600
International (90 days @75/day)		2,250	2,250	2,250			6,750
RT Shipment HHE/POV (1POV @2500)		3,000		4,000			7,000
HHE Packing & Storage (Max. 5,000 Pounds Net)		2,800	1,800	2,800			7,400
Unaccomp. Baggage(700lbs.)		2,500		3,025			5,525
Excess Baggage (100 lbs.)		700		847			1,547
Miscellaneous Travel Exp.		<u>350</u>	<u>350</u>	<u>350</u>			<u>1,050</u>
		21,466	10,022	22,659	2,822	5,886	62,855
<u>ALLOWANCES</u>							
Temporary Quarters(90 days @ 71) (\$21 Meals, \$50 for Double Hotel Room)		4,260		2,130			6,390
Housing, 33 Mo. @ 960/mo		9,600	11,520	10,560			31,680
Education, 2,500/child/yr.		5,000	5,000	5,000			15,000
Furniture		<u>8,750</u>					<u>8,750</u>
		<u>27,610</u>	<u>16,520</u>	<u>17,690</u>			<u>61,820</u>
GRAND TOTAL	<u>49</u>	<u>100,639</u>	<u>79,750</u>	<u>98,449</u>	<u>7,122</u>	<u>16,986</u>	<u>302,946</u>

BUDGET NO. 2MUSCCO BUDGET SUPPORT REQUIREMENTS

	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>YR 5</u>	<u>TOTALS</u>
<u>MUSCCO CASH EXPENSES</u>						
Personnel	23,995	25,196	26,453	27,779	29,166	132,589
Travel & Transportation	16,428	19,614	20,079	24,038	24,722	104,881
Training	5,445	5,717	6,003	6,304	6,618	30,087
Representation & Promotion	2,760	2,898	3,042	3,195	3,355	15,250
Office Costs	3,720	3,906	4,102	4,306	4,522	20,556
Audit & Miscellaneous	<u>2,000</u>	<u>2,100</u>	<u>2,205</u>	<u>2,315</u>	<u>2,431</u>	<u>11,051</u>
TOTALS	54,348	59,431	61,884	67,937	70,814	314,414
Less MUSCCO Income*	<u>          </u>	<u>3,382</u>	<u>8,330</u>	<u>15,860</u>	<u>18,209</u>	<u>45,718</u>
Net Support Required						
Malawi Kwacha	54,348	56,049	53,554	52,077	52,605	268,633
U.S. Dollars	67,935	70,061	66,943	65,096	65,756	335,791
MUSCCO Income as a Percent- age of Net Support Required*		6%	15.6%	30.5%	34.6%	17.0%

\*Net of depreciation charges.

Notes to Budget No. 2

- 1) This budget lists MUSCCO cash expenditure items to which A.I.D. funds may be applied. The amount actually charged to each line may be prorated in accordance with the amount of MUSCCO income received and the level of actual expenditure in each category. Subject to annual planning and budgeting, it is expected that U.S.A.I.D. funds will be applied up to the currently estimated budget support totals for each year. Variations are probable in the actual charges to individual line-items subsumed under these annual totals.
  
- 2) Malawian Kwacha are converted to U.S. dollars at the rate of \$1.25 = MK 1.00 (in this and all other budgets).
  
- 3) MUSCCO income shown is net of depreciation charges. This will result in a slight deficit position of MK 357 in year one; this has been carried forward to year two where it is discounted from a projected surplus of Mk 3,739.

BUDGET NO. 2.1MUSCCO EXPENSES: WORKING PAPERS

	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>YR 5</u>	<u>TOTAL</u>
<u>PERSONNEL</u>						
Salaries						
General Manager	3,360	3,528	3,704	3,890	4,084	18,566
Assistant Gen. Manager	2,640	2,772	2,911	3,056	3,209	14,588
Field Officer (3)	5,580	5,859	6,152	6,460	6,783	30,833
Bookkeeper	960	1,008	1,058	1,111	1,167	5,305
Secretary	780	819	860	903	948	4,310
Clerk	480	504	529	556	583	2,652
Messenger	<u>276</u>	<u>290</u>	<u>304</u>	<u>320</u>	<u>335</u>	<u>1,525</u>
Sub-Total	14,076	14,780	15,518	16,296	17,109	77,779
Fringe Benefits	3,131	3,288	3,452	3,625	3,806	17,302
Housing Allowances						
Professional Staff	5,790	6,080	6,383	6,703	7,038	31,994
Support Staff	<u>998</u>	<u>1,048</u>	<u>1,100</u>	<u>1,155</u>	<u>1,213</u>	<u>5,514</u>
Sub-Total	<u>6,788</u>	<u>7,128</u>	<u>7,483</u>	<u>7,858</u>	<u>8,251</u>	<u>37,508</u>
TOTAL	23,995	25,196	26,453	27,779	29,166	132,589
<u>TRAVEL &amp; TRANSPORTATION</u>						
Vehicles						
Insurances & Taxes	1,224	1,346	1,481	1,629	1,792	7,472
Operating Costs	<u>8,340</u>	<u>9,591</u>	<u>11,030</u>	<u>12,684</u>	<u>14,587</u>	<u>56,232</u>
Sub-Total	9,564	10,937	12,511	14,313	16,379	63,704
Allowances, Fares, Lodging	6,864	7,207	7,568	7,946	8,343	37,928
Travel to ACOSCA Biennial Meetings		<u>1,470</u>		<u>1,779</u>		<u>3,249</u>
TOTAL	16,428	19,614	20,079	24,038	24,722	104,881

	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>YR 5</u>	<u>TOTAL</u>
<u>Training</u>						
Seminars	4,920	5,166	5,424	5,696	5,980	27,186
Materials	<u>525</u>	<u>551</u>	<u>579</u>	<u>609</u>	<u>638</u>	<u>2,901</u>
TOTAL	5,445	5,717	6,003	6,304	6,618	30,087
<u>REPRESENTATION &amp; PROMOTION</u>						
Advertising	500	525	551	579	608	2,763
Committee Allowances	900	945	992	1,042	1,094	4,973
Annual General Meeting	<u>1,360</u>	<u>1,428</u>	<u>1,499</u>	<u>1,574</u>	<u>1,653</u>	<u>7,514</u>
TOTAL	2,760	2,898	3,042	3,195	3,355	15,250
<u>OFFICE COSTS</u>						
Rent	1,800	1,890	1,985	2,084	2,188	9,947
Occupancy	720	756	794	833	875	3,978
General Administration	<u>1,200</u>	<u>1,260</u>	<u>1,323</u>	<u>1,389</u>	<u>1,459</u>	<u>6,631</u>
TOTAL	3,720	3,906	4,102	4,306	4,522	20,556
Audit & Miscellaneous	2,000	2,100	2,205	2,315	2,431	11,051
<u>DEPRECIATION (NON-CASH)</u>						
Vehicle (25%)	3,500	3,500	3,500	3,500	4,200	18,200
Furniture & Equipment	<u>1,687</u>	<u>1,771</u>	<u>1,860</u>	<u>1,953</u>	<u>2,051</u>	<u>9,322</u>
TOTAL	<u>5,187</u>	<u>5,271</u>	<u>5,360</u>	<u>5,453</u>	<u>6,251</u>	<u>27,522</u>
GRAND TOTAL	<u>59,535</u>	<u>64,702</u>	<u>67,244</u>	<u>73,390</u>	<u>77,065</u>	<u>341,936</u>

Notes to Budget Working Papers No. 2.1

1) Personnel

1.1) Salaries are increased at an annual 5% rate. Base monthly rates for each position are:

General Manager (P)	MK 280
Assistant General Manager (P)	220
Field Officers (P)	150
Bookkeeper (S)	80
Secretary (S)	65
Clerk (S)	40
Messenger (S)	23

A 5% increment in the base is allowed for each year of prior experience in PEAC employment at the Field Officer level only.

1.2) Fringe benefits are calculated at 14% of base salaries. They will be pooled for purchasing group insurance coverage, employer's pension contribution and other normal benefits in accordance with MUSCCO policy.

1.3) Housing allowances are calculated at 50% of salary for professional staff (marked "P") and 40% for support staff (marked "S").

2) Travel and Transportation

2.1) Vehicle costs are estimated on the basis of current PEAC motorcycle and truck expense rates. Insurance and taxes are increased at 10% per year and operating costs at 15%.

2.2) Allowances, fares and lodging are based on standard Malawi subsistence allowance policies, plus estimates of guest-house charges. Travel estimates are:

General Manager	10 days per month
Assistant General Manager	15 days per month
Field Officers	25 days per month

Annual increases are at a 5% rate.

2.3) Travel to ACOSCA biennial meetings includes estimated air-fare and lodging; it is increased 10% annually.

3) Training (5% annual increases)

3.1) Seminar costs are based on one annual four-week seminar for ten society Manager/Treasurers and six regional three-day seminars per year for leaders and committee members (approximately 30 per course). Daily participant cost is estimated at MK 6.00. Societies would pay transport costs.

3.2) Materials would include instructional guides, paper, pencils, etc.

4) Representation and Promotion (increased 5% annually)

4.1) Advertising includes the net costs of producing and selling to societies such promotional items as posters, pamphlets, calendars, etc.

4.2) Committee allowances include subsistence payments and travel

costs for the MUSCCO Management Committee (four meetings annually).

4.3) Annual General Meeting costs include publications, refreshments and related MUSCCO expenses; societies would be responsible for meeting the major portion of the costs of sending their delegates.

5) Office Costs (5% annual increases)

5.1) Rent at MK 150/month

5.2) Occupancy at MK 60/month (including electricity, telephone, water, etc.).

5.3) General administration at MK 100/month (office supplies, casual labor, etc.).

6) Audit and miscellaneous (annual increment at 5%).

7) Depreciation Rates:

7.1) Vehicles at 25% per year; purchase of a new vehicle in 1985 is included at a price 20% greater than current prices.

7.2) Furniture and equipment at an aggregate 15% rate, with annual increments of 5% reflecting new asset acquisitions.

Note: Depreciation has not been included in Budget No. 2 due its non-cash nature.

BUDGET NO. 2.2MUSCCO INCOME PROJECTIONS

	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>YR 5</u>	<u>TOTAL</u>
Net Central Finance Margin	1,000	2,800	4,500	5,900	6,300	20,500
Dues	1,800	3,600	6,000	7,400	8,900	27,700
Risk Management Commissions	400	500	600	700	800	3,000
Stationery Sales Margin	900	1,100	1,300	1,500	1,600	6,400
Equipment Sales Margin	400	400	400	400	400	2,000
<u>Other:</u>						
Seminar Tuition Fees	230	460	690	790	1,150	3,320
Examination Fees				2,541	2,837	5,378
Loan Collection Fees				1,832	2,175	4,005
Miscellaneous	<u>100</u>	<u>150</u>	<u>200</u>	<u>250</u>	<u>300</u>	<u>1,000</u>
Sub-Total	330	610	890	5,413	6,460	13,703
TOTAL INCOME	4,830	9,010	13,690	21,313	24,462	73,303
Total Income as a Percentage of Total Cash Expenses (total expenses less de- preciation)	8.8%	15.2%	22.1%	31.4%	34.5%	23.3%

Notes to Budget No. 2.2

- 1) Central finance margins are net of dividend payments. Reserve provisions have not been calculated. Assumptions are described in the Notes to Budget No. 2.3.
- 2) Dues are estimated at 1% of previous year-end savings balances (less discounts of 50% and 25% in years one and two, respectively).
- 3) Risk management commissions are based on term life insurance premiums only (pending determination of the feasibility of introducing fidelity bonding). Estimates are based on: 90% loan to savings ratios; 90% of total average shares and loans covered; premium rate of 65 tambala per thousand kwacha covered monthly; commission rate of 6% on total premiums.
- 4) Stationery sales margins are estimated at 20% over gross purchases of goods sold. Total sales estimates are:

	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>YR 5</u>
MK	5,400	6,600	7,800	9,000	9,600

- 5) Equipment sales margins are estimated at the same rates as stationery. Annual sales of MK 2,000 are forecasted.
- 6) Seminar tuition fees are estimated for specialized manager/treasurer seminars and committee member regional seminars only. Projections are:

	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>YR 5</u>
<u>Manager/Treasurer</u>					
No. Participants	10	10	10	10	10
Fee for each (MK)	5	10	15	20	25
<u>Regional Seminars</u>					
No. Participants	180	180	180	180	180
Fee for each (MK)	1	2	3	4	5

- 7) Examination fees are projected in years four and five. Fees are forecasted at rates of MK 0.35 per member of each examined society. Society examination fee volume is estimated at 50% of total movement membership in each of the two years.
- 8) Loan collection fees are project in years four and five based on successful collection by MUSCCO of 1% of average outstanding loan balances. Fee is assumed to be 25% of the outstanding balance, paid by the defaulter.

BUDGET NO. 2.3PROJECTED MUSCCO CENTRALFINANCE OPERATIONS (MKOOOs)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
<u>NETAL SOCIETY SAVINGS</u>							
Year-End Balances	281.5	363.0	478.7	604.6	740.8	887.3	1044.1
Average Annual Balances	246.1	322.3	420.9	541.7	672.7	814.1	965.7
<u>CENTRAL FUND CAPITALI- ZATION (YEAR-END BALANCES)</u>							
Liquidity Provision			21.0	27.1	33.6	40.7	48.3
Loan Capitalization IDL			0.5	1.3	2.1	2.1	2.1
Other				0.5	1.5	2.0	4.0
Sub-Total			<u>0.5</u>	<u>1.8</u>	<u>3.6</u>	<u>4.1</u>	<u>6.1</u>
Reserve Requirement			<u>5.4</u>	<u>7.2</u>	<u>9.1</u>	<u>11.1</u>	<u>13.3</u>
Total Shares			26.9	36.1	46.3	55.9	67.7
AID Donation			<u>10.0</u>	<u>25.0</u>	<u>40.0</u>	<u>40.0</u>	<u>40.0</u>
Total Capital			36.9	61.1	86.3	95.9	107.7
<u>CREDIT OPERATIONS</u>							
Loans Granted: IDL			10.0	15.0	15.0		
Other Loans			<u>          </u>	<u>10.0</u>	<u>20.0</u>	<u>40.0</u>	<u>80.0</u>
Sub-Total			10.0	25.0	35.0	40.0	80.0
Total Payments			<u>          </u>	<u>3.0</u>	<u>10.0</u>	<u>17.5</u>	<u>24.0</u>
Balance Outstanding at Year-End			10.0	22.0	25.0	22.5	56.0

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
<u>OPERATING BASES</u>							
Investment Base							
Average Loans Outstanding			5.0	16.0	23.5	23.8	39.3
Average Banked Funds			<u>13.5</u>	<u>33.0</u>	<u>50.0</u>	<u>67.3</u>	<u>62.5</u>
Total			18.5	49.0	73.7	91.1	101.8
Capital Base							
Average Shares Outstanding			13.5	31.5	41.2	46.1	56.8
<u>EARNINGS</u>							
Interest							
Loans			0.5	1.4	2.1	2.1	3.5
Banks			<u>1.2</u>	<u>3.0</u>	<u>4.5</u>	<u>6.1</u>	<u>5.6</u>
Total			1.7	4.4	6.6	8.2	9.1
Cost of Capital							
Share Dividends			<u>0.7</u>	<u>1.6</u>	<u>2.1</u>	<u>2.3</u>	<u>2.8</u>
Net Income			1.0	2.8	4.5	5.9	6.3

Notes to Budget No. 2.3

- 1) Central finance operations would not begin until 1981.
- 2) Total society savings and average annual balances forecasts are made on the basis of a project-induced 30% increase over current annual growth rates.
- 3) Central fund capitalization rates are assumed at 5% of society savings for the liquidity provision; 5% of MUSCCO central fund loans granted for loan capitalization; and an estimated 1.5% of total society savings set aside to meet statutory reserve requirements (based on 25% of net society income). Total MUSCCO shares are the sum of these three provisions. The A.I.D. donation reflects estimated drawdowns against the Institutional Development Loan program funds and commodities. These are forecasted at MK 10,000 in year one and MK 15,000 in years two and three.
- 4) Earnings are estimated at a conservative 9% rate on both average loans outstanding and banked funds.
- 5) Dividends are estimated at 5% of average share balances held by member societies in the MUSCCO fund.
- 6) Reserve requirement expenses are not included.

BUDGET NO. 3

MUSCCO TECHNICAL ASSISTANCE

(US DOLLARS)

	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>YR 5</u>	<u>TOTAL</u>
Personnel	29,563	32,519	35,771			97,853
Overhead	14,900	16,389	18,029			49,318
Consultants	7,100	4,300	4,300	4,300	11,100	31,100
Travel & Transportation	21,466	10,022	22,659	2,822	5,886	62,855
Allowances	<u>27,610</u>	<u>16,520</u>	<u>17,690</u>	_____	_____	<u>61,820</u>
TOTALS	100,639	79,750	98,449	7,122	16,986	302,946

BUDGET NO. 3.1MUSCCO TECHNICAL ASSISTANCE BUDGET WORKING PAPERS

	<u>PERSON-MONTHS</u>	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>YR 5</u>	<u>TOTAL</u>
<u>PERSONNEL</u>							
Salary	36	23,650	26,015	28,617			78,282
Benefits		<u>5,913</u>	<u>6,504</u>	<u>7,154</u>			<u>19,571</u>
Sub-Total		29,563	32,519	35,771			97,853
<u>OVERHEAD</u>		14,900	16,389	18,029			49,318
<u>CONSULTANTS</u>							
Technical Support, Monitoring, Assessment & Training:							
GPO @ 2800	5	5,600	2,800	2,800	2,800		14,000
ACOSCA @ 1500	4	1,500	1,500	1,500	1,500		6,000
<u>FINAL EVALUATION</u>							
GPO @ 2800						2,800	2,800
ACOSCA @ 1500	1					1,500	1,500
Malawi (MTIT) @ 1500	1					1,500	1,500
U.S. Credit Union Rep. @ 5300	1					<u>5,300</u>	<u>5,300</u>
		7,100	4,300	4,300	4,300	11,100	31,100
<u>TRAVEL &amp; TRANSPORTATION</u>							
4 RT Wash-LL, Resident & Family (3 full fares @ 950 in (1980)		3,800		4,598			8,398
4 RT US House-DC		846		1,024			1,870
6 RT Wash-LL, GPO Consultants		3,800	2,090	2,299	2,529	2,782	13,500
1 RT Wash-LL/Technical Consultation			2,090				2,090
1 RT Wash-LL/Final Evaluation						2,782	2,782

Notes to Budget No. 3.1

Overhead amount is based on a provisional indirect cost rate of 63% of base salary.

BUDGET NO. 4COMMODITIES AND CAPITAL CONTRIBUTIONS

(US DOLLARS)

	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>YR 5</u>	<u>TOTAL</u>
<u>MJSCCO</u>						
Furniture & Equipment	11,571					11,571
Training Supplies & Equipment	11,250					11,250
Vehicles	<u>23,125</u>					<u>23,125</u>
Sub-Total	45,946					45,946
<u>INSTITUTIONAL DEVELOPMENT</u>						
<u>LOAN FUND</u>						
Society Commodities Managers Salaries Construction	7,354	5,203				12,557
Materials Loan Fund	<u>12,500</u>	<u>18,750</u>	<u>6,250</u>			<u>37,500</u>
Sub-Total	<u>19,854</u>	<u>23,953</u>	<u>6,250</u>			<u>50,057</u>
TOTAL	65,800	23,953	6,250			96,003

BUDGET NO. 5RELATED AGENCY TECHNICAL ASSISTANCE

(US DOLLARS)

	<u>YR 1</u>	<u>YR 2</u>	<u>YR 3</u>	<u>YR 4</u>	<u>YR 5</u>	<u>TOTAL</u>
<u>AUDIT &amp; EXAMINATION TRAINING</u>						
Seminar Costs		1,680	1,848			3,528
Instructors Costs		2,500	2,750			5,250
Materials		1,700	1,870			3,570
Supplies		<u>150</u>	<u>165</u>			<u>315</u>
Total		6,030	6,633			12,663
<u>PEACE CORPS VOLUNTEER</u>						
Transport Costs						
Motorcyclè Purchase		7,031				7,031
Operating Costs		4,050	4,455	4,091	5,391	18,797
Insurance & Taxes		<u>218</u>	<u>240</u>	<u>264</u>	<u>290</u>	<u>1,012</u>
Total		11,299	4,695	5,165	5,681	26,840
TOTALS		17,329	11,328	5,165	5,681	39,503

	<u>NO.</u>	<u>ESTIMATED PRICE</u>	<u>COST</u>	<u>COST</u>
			(MK)	(\$)
<b>Vehicles</b>				
Motorcycles	3	1,500	4,500	5,625
4-Wheel Drive Auto	1	14,000	<u>14,000</u>	<u>17,500</u>
TOTAL			18,500	23,125
MUSCCO TOTAL			36,756	45,946
 <u>INSTITUTIONAL DEVELOP- MENT LOAN FUND</u>				
<b>Society Commodities</b>				
Adding Machines	35	110	3,850	4,813
Calculators	35	27	945	1,181
Safes	35	150	<u>5,250</u>	<u>6,563</u>
TOTAL			10,045	12,557
 Funds for Manager Salaries and Construc- tion Materials Loans				
TOTAL			<u>30,000</u>	<u>37,500</u>
IDL TOTAL			<u>40,045</u>	<u>50,057</u>
GRAND TOTAL			76,801	96,003

## BUDGET NO. 4.1

COMMODITY COSTS AND CAPITALCONTRIBUTION WORKING PAPERS

	NO.	<u>ESTIMATED PRICE</u>	<u>COST</u>	
			(MK)	(\$)
<u>MJSCCO</u>				
Furniture & Equip- ment Headquarters				
Typewriters	2	500	1,000	1,250
Desk Calculators	1	230	230	288
Pocket Calculators	3	27	81	101
Film Projectors(916mm)	1	1,000	1,000	1,250
Portable Generator	1	1,400	1,400	1,750
P.A. System	1	370	370	463
Mimeogram	1	600	600	750
4-Drawer File Cabinets	4	235	940	1,175
Desks	5	152	760	950
Tables	1	300	300	375
Chairs	20	35	700	875
Sub-Total			7,381	9,227
Field Staff				
4-Drawer File Cabinets	3	235	705	881
Pocket Calculators	3	27	81	101
Portable Typewriters	3	200	600	750
Desks	3	130	390	488
Chairs	3	33	99	124
Sub-Total			1,875	2,344
TOTAL			9,256	11,571
Training Supplies & Equipment				
Chalk&Bulletin Board	5	100	500	625
Students' Desk & Chairs	30	150	4,500	5,625
Materials&Supplies	-	-	4,000	5,000
TOTAL			9,000	11,250

ACTION  
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ANNEX A  
INCOMING  
TELEGRAM

PAGE 01  
ACTION AID-35

LILONG 01865 011348Z

0871

INFO OCT-01 AF-10 SSO-00 /046 W  
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O R 011324Z AUG 80  
FM AMEMBASSY LILONGWE  
TO SECSTATE WASHDC IMMEDIATE 5061  
INFO AMEMBASSY NAIROBI  
AMEMBASSY MBABANE

UNCLAS LILONGWE 1865

AIDAC: SECSTATE FOR: AFR/DR/SAP AND AFR/SA; NAIROBI FOR  
REDSO AND EAAC; MBABANE FOR RLA

E. O. 12065: N/A  
SUBJECT: CUNA PROPOSAL MALAWI 612-0205

1. QUOTED BELOW IS TEXT OF GOVERNMENT OF MALAWI'S REQUEST  
FOR ASSISTANCE REGARDS THE CUNA PROPOSAL.

2. BEGIN QUOTE  
MRS. VIVIAN ANDERSON  
THE AID REPRESENTATIVE, AMERICAN EMBASSY, P. O. BOX 30018  
LILONGWE 3  
DEAR MADAM,  
MALAWI UNION OF SAVINGS AND CO-OPERATIVES DEVELOPMENT  
WITH REFERENCE TO THE ABOVE PROJECT, YOU ARE AWARE THAT A  
STUDY WAS UNDERTAKEN BY ACOSCA AND WCCC/CUNA STAFF IN  
CONSULTATION WITH OUT MINISTRY OF TRADE, INDUSTRY AND  
TOURISM. FOLLOWING THE STUDY, A REPORT AND PROJECT  
SUBMISSION HAS BEEN PREPARED WITH AN INITIAL COST OF  
US\$774,243 ON THE ASSUMPTION THAT IT STARTS ON 1ST  
OCTOBER, 1980. THE MALAWI GOVERNMENT ACCEPTS THE  
FINDINGS OF THE STUDY AND RECOMMENDATIONS CONTAINED IN  
THE ATTACHED DOCUMENT.  
I SHALL BE GRATEFUL IF A. I. D. COULD CONSIDER FUNDING  
THE PROJECT AS OUTLINED IN THE ENCLOSED DOCUMENT. THE  
MALAWI GOVERNMENT ATTACHES GREAT IMPORTANCE TO THE  
PROJECT.

I AM, MADAM,  
YOURS TRULY,  
FELIX N. D. KALUMA  
FOR SECRETARY TO THE TREASURY  
CC: THE SECRETARY FOR TRADE, INDUSTRY AND TOURISM, LILONGWE  
3 (ATTENTION: MR. S. K. MSISKA)  
- : THE SECRETARY FOR AGRICULTURE AND NATURAL RESOURCES,  
LILONGWE 3. (ATTENTION: DR. M. WALES) END QUOTE

E. THE LETTER OF REQUEST WILL BE POUCHED TO AL HARDY,  
MONDAY AUGUST 4.

4. CUNA PROJECT NUMBER IS 612-0205. HILL

*1*  
*ACTION*  
*AFDR*  
*L-110*  
*AAA*  
*AFDA*  
*AFSA*  
*AFSA*  
*GC*  
*GCFL*  
*AFDR*  
*RELD*

ACTION TAKEN		
N.A.N.	<input checked="" type="checkbox"/>	
REPLIED	<input type="checkbox"/>	
TYPE	INITIALS	DATE
REMARKS:		

AUG 4 1980

JUSTIFICATION FOR VEHICLE WAIVER

The Operational Program Grant to WOCCU/CUNA will assist the Government of Malawi, through the Malawi Union of Savings and Credit Cooperatives Organization (MUSCCO) in developing and strengthening the credit union movement in Malawi.

In order to accomplish this purpose, one four-wheel drive multi-purpose vehicle and three 100-150 c.c. motorcycles are required to provide adequate transportation for the WOCCU/CUNA program advisor and three MUSCCO field officers.

The justification for this vehicle waiver is based on the following:

- 1) There are no U.S. manufacturers to provide right-hand, four-wheel drive multi-purpose vehicles. Right-hand steering vehicles is virtually a necessity in Malawi for safety reasons;
- 2) There are no U.S. manufacturers to provide light weight (100-150 c.c.) motorcycles; and
- 3) A present or projected lack of spare parts or adequate service facilities for U.S. manufactured vehicles. While right-hand drive trucks are available from U.S. manufacturers, there are no local representatives in Malawi to provide service or spare parts support for the type of vehicles being requested herein.

POSITION: Management Advisor/PEAC/Malawi Union of Savings & Credit Cooperatives

SUPERVISOR: Director of Programs/Credit Union National Association/Global Projects Office

The Management Advisor will be responsible for providing on-site technical assistance to the Malawi Union of Savings & Credit Cooperatives (MUSCCO) and its affiliated credit unions contributive to achievement of the Purpose and Objectives of an Operational Program Grant provided to the Credit Union National Association by the U.S. Agency for International Development.

## I. Description of Tasks

### A. Institutional Development

In collaboration with PEAC/MUSCCO Board and Management, the Management Advisor will undertake the systematic strengthening of the Union's capabilities and services, with emphasis on the following functions and processes:

#### 1. Organizational Planning and Evaluation

Establishment of a systematic process to enable the Union to identify near and long-term objectives, formulate rational plans, strategies and sequences of activities, efficiently use resources to implement, evaluate and improve its institutional performance and services.

#### 2. Financial Planning and Budgeting

Identification of requirements for financial self-sufficiency including capital, operating income and expense projections, and appropriate financial and budget controls. Results in preparation of alternative strategies with anticipated impacts for MUSCCO Board decision.

#### 3. Personnel

Design of rational personnel system, including detailed job descriptions based on function/task analysis; effective recruiting system; appropriate staff development programs; and appropriate objective personnel evaluation procedures.

#### 4. Accounting

Establishment of effective bookkeeping and control procedures that result in preparation of timely, accurate financial statements that meet all management and legal requirements of MUSCCO and concerned agencies.

5. Office Management

Establishment of appropriate procedures for processing of information and data required by MUSCCO, funds receipt and disbursement, and management of materials and equipment.

6. Training

Establishment of training system to meet needs of MUSCCO staff and Board as well as that of credit union boards, committees and staff. System should be based on identification of training needs, design of training programs, implementation consistent with teaching-learning principles, and evaluation based on achievement of objectives.

7. Promotion

Design-of strategies to expand membership, increase savings and encourage participation in special credit programs among credit union membership.

8. Central Finance

Establishment of appropriate capitalization strategy, lending policies and investment decisions to best serve credit unions compatible with MUSCCO long-term self-sufficiency needs.

9. Small Farmer Production Credit Program

Coordinate study to determine feasibility of initiating small farmer production credit program and, if deemed initially feasible, prepare operating guidelines for initiation on trial basis.

10. Carry out any such tasks and activities at the instance of the MUSCCO Board and in coordination with counterpart(s) as are necessary to achieve the purpose and objectives of the Operational Program Grant under which position is funded.

B. Project Monitoring and Reporting

The Management Advisor will have primary responsibility for monitoring project performance and for submission of required reports to participating organizations. Regular monitoring reports should be prepared in the prescribed format describing achievement/non-achievement of scheduled objectives; special reports may be required in response to exceptional problems or other situations. The Advisor will be responsible for monitoring or project expenditures, submission of financial reports that are properly validated and verified, preparation of annual and interim project budgets.

### C. Representation and Liaison

The Advisor will serve as principle liaison between Global Projects, ACOSCA, MUSCCO, USAID/Lilongwe and the Government of Malawi. In this capacity the Advisor will:

1. Meet periodically with project participants to determine and ensure mutual agreement on responsibilities and obligations;
2. Identify appropriate communications channels with responsible parties in GOM and interested development organizations;
3. Identify additional resources that can be made available to assist MUSCCO pursue its stated objectives from public or private organizations within or outside Malawi;
4. Assure compliance with any Government of Malawi, USAID, MUSCCO regulations governing the project and its operation; facilitate the completion of formalities required to permit achievement of project objectives.

### D. Project Management

The Advisor will have principal responsibility for efficient management of the Project, including:

1. Coordination of all logistical requirements connected with project implementation;
2. Completion of all required formalities and protocols required by the Government of Malawi, MUSCCO and donor organizations concerned;
3. Efficient acquisition and management of all physical assets required for project implementation;
4. Prompt identification of problems affecting successful project implementation and development/recommendation of appropriate solution strategies.

## II. Required Skills

### A. Demonstrated Professional Competence in the Following Areas:

1. Institutional analysis and development
2. Planning and Evaluation
3. Accounting and Financial Management

4. Training/Manpower Development
5. Services Feasibility Determination

B. Demonstrated Capabilities in:

1. Loan Investment Portfolio Management
  2. Office Management Systems
  3. Personnel Systems
- C. Demonstrated ability to monitor project implementation, to promptly and accurately identify problems, and propose appropriate solutions.
- D. Demonstrated ability to analyze financial and non-financial information to identify problems and propose appropriate solutions.
- E. Demonstrated interpersonal skills in a cross-cultural context resulting in the development of programs and strategies that accurately reflect the needs and commitment of the collaborating organizations.

Other Requirements

- A. Good physical and mental health
- B. At least two years overseas field experience
- C. Previous working experience with credit unions of cooperatives and/or demonstrated commitment to cooperativism.
- D. Five years professional experience related to one or more of the disciplines reflected in this position description.

OUTLINE WORKING RELATIONSHIPS BETWEEN CUNA, THE GOVERNMENT OF MALAWI, AND PEAC (PROVISIONALLY UNTIL LEGAL REGISTRATION OF MALAWI UNION OF SAVINGS AND CREDIT COOPERATIVES

The outline that follows describes a proposed relationship between the parties collaborating in implementation of a project to expand and strengthen the cooperative savings and credit (credit union) movement of Malawi. The relationships operate within the framework of the project as proposed and approved by CUNA, the U.S. Agency for International Development, the Government of Malawi and the Promotion Education Advisory Committee (PEAC).

CUNA Responsibilities

The Credit Union National Association and any successor organization as recipient of a grant from the U.S. Agency for International Development (USAID) for the purpose of credit union development in Malawi will operate under all rules and provisions governing such grants generally and as contained in the grant agreement.

The Credit Union National Association accepts its responsibility to act wholly within the laws and regulations of Malawi and with full respect to those Ministries and Agencies of the Government that are responsible for the project and related areas of economic and social development.

The Credit Union National Association agrees to furnish services to PEAC (and its successor, MUSCCO) and to the Government of Malawi to further develop credit unions in

Malawi in accordance with the stated purpose and objectives of the USAID/CUNA grant agreement as it represents and is based on the project proposal reviewed and approved by all parties concerned. Subject to continued availability of the funds to be provided under the grant agreement, CUNA agrees to provide such assistance for a term of approximately five years and that such assistance will include, but not be limited to:

1. A resident technician with qualifications approved by the Government of Malawi and PEAC to serve in the project for a minimum period of three years;
2. Budget support for PEAC/MUSCCO within the limits, and for the purposes specified in the grant proposal;
3. Short-term consultancies by appropriately qualified personnel for activities within the context of the grant proposal and defined by terms of reference agreed to by all parties concerned;
4. Those commodity and capital contributions to PEAC/MUSCCO specified in the grant proposal;
5. Such related agency technical assistance to the Ministry of Trade, Information and Tourism (MTIT), Government of Malawi, Peace Corps or other organizations as may be necessary to achievement of project objectives and agreed to by all parties concerned.

The Credit Union National Association's role, directly through its resident advisor and indirectly through its other personnel, will be limited to provision of advice and services necessary to implementation of activities contributing to project objectives and purpose. The CUNA resident advisor will not be assigned to direct operational responsibilities save to ensure effective and appropriate use of project funds in accordance with the USAID/CUNA grant agreement and any subordinate agreements with PEAC/MUSCCO and the Government of Malawi.

The Credit Union National Association commits itself to provide reports concerning project implementation in a mutually agreeable format and with mutually agreed-upon information to PEAC/MUSCCO and any other recipient designated by the Government of Malawi. CUNA will meet at least semi-annually with the Permanent Secretary Ministry of Trade, Industry and Tourism, his designee, or with representatives of any other Ministry that may be responsible for implementation of the project, cooperative development and regulation of cooperatives. Such meetings would include a review of progress against stated objectives, future plans, other areas of collaboration with specific reference to:

MIT audit training programs  
Support and coordination of U.S. Peace Corps  
Participation in Credit Union activities  
Project evaluation and formulation of subsequent assistance to PEAC/MUSCCO.

The Credit Union National Association will administer funds provided by the U.S. Agency for International Development in accordance with the provisions of the USAID/CUNA Grant Agreement and with any subordinate agreements with the Government of Malawi and/or PEAC/MUSCCO. Project funds will be transferred by CUNA from its designated bank in the United States to a project account established in Malawi, to be designated, which will be administered in accordance with applicable banking laws and practices in Malawi and the United States and in such a manner as to ensure smooth functioning of the project.

It is proposed that the Promotion, Education and Advisory Committee (PEAC) and, upon legal registration, its successor organization the Malawi Union

of Savings and Credit Cooperatives (MUSCCO) undertake the following understandings and commitments:

PEAC/MUSCCO will undertake primary responsibility for implementation and operation of the project consistent with attainment of the project purpose and objectives as stated in the grant proposal and in accordance with any subordinate agreements with the Government of Malawi and CUNA.

PEAC/MUSCCO will provide the CUNA resident advisor and visiting consultants under the project with appropriate and adequate office facilities and administrative support necessary to project implementation and to include office space, desk, chair, filing space, and regular required access to secretarial and clerical services.

PEAC/MUSCCO will provide vouchers and employee validated payrolls in support of all allowable expenditures incurred under the grant in accordance with any subordinate agreements and with applicable U.S. Government provisions subject to the determination of the resident advisor as designee of the grant recipient. It is understood that supporting vouchers must be provided to account for expenditure of grant funds prior to issuance of subsequent advance of project funds, and that the amounts of advances, percentage of supporting vouchers against outstanding advances, frequency of reporting and acceptability of vouchers will be determined and stipulated in a subordinate agreement between CUNA and PEAC/MUSCCO.

Subject to concurrence by the appropriate Ministry of the Government of Malawi and with at least 60 days notification, PEAC/MUSCCO agrees

to permit access by a mutually acceptable CUNA, USAID, Government of Malawi, or private auditor or other supervisory personnel to any and all project related files, records and documents necessary to verify that grant financial expenditures are wholly in accordance with the provisions of the USAID/CUNA Grant Agreement.

It is requested that the Government of Malawi agree to undertake the following:

To assist the Credit Union National Association in facilitating acquisition of equipment, commodities and services required to achieved project purposes and objectives.

To continue to provide inspection and related services to primary cooperative credit and savings societies and when necessary to allow PEAC/MJSCCO, ACOSCA, CUNA's resident advisor and staff access to those facilities and staff necessary to train MJSCCO and savings and credit cooperative society leaders.

To provide those privileges and exceptions to CUNA that will permit and allow:

1. the import of all project related equipment and supplies necessary to achieve project objectives, free of all duties, excise and other taxes;
2. the import of a vehicle, required household and personnel effects for the CUNA resident advisor and his family;
3. the transfer of funds for all project-related purposes to and from Malawi with exemption from such controls, taxes and duties as may be mutually agreeable;
4. the release of CUNA from liability for any taxes on equipment, materials or supplies required by the project and/or any taxes levied on any assets, property or salaries paid by CUNA to its resident advisor or

consultant personnel in performance of work as defined under the USAID/CUNA Grant Agreement and grant proposal;

5. facilitating the entry into and departure from Malawi of such personnel as CUNA in coordination with the Government of Malawi, PEAC/MUSCCO and USAID may deem necessary for the conduct of work under the project and to permit such local travel within Malawi as may be reasonably required in the course of project implementation.

Subject to review, modification and mutual agreement by the parties concerned, the guidelines for project operation will be formalized through one or more written subordinate agreements between CUNA, PEAC/MUSCCO and the Government of Malawi, which would be acceptable to USAID, and which would be signed within 60-days of project initiation with copies deposited with each signatory, with USAID/Malawi, and with any other office designated by the U.S. Agency for International Development.

INITIAL ENVIRONMENTAL EXAMINATION

PROJECT LOCATION : Malawi  
PROJECT TITLE : Malawi Union of Savings and Credit  
Cooperatives Development (WOCCU/CUNA-  
OPG)  
PROJECT NUMBER : (612-0205)  
LIFE OF PROJECT : Five Years  
IEE PREPARED BY : Alfred Harding, Projects Officer.  
AFR/DR/SAP  
DATE PREPARED : August 18, 1980  
ENVIRONMENTAL ACTION  
RECOMMENDED : Negative Determination  
CONCURRENCE/APPROVAL : Martin V. Dagata, Director, AFR/SA *MVD*

ASSISTANT ADMINISTRATOR'S  
DECISION

: APPROVED: *[Signature]*  
DISAPPROVED: \_\_\_\_\_  
DATE: *8/26/80*

Clearance: AFR/DR/SDP: JHester *JH* Date: *8/21/80*

## I. Description of the Project

The five year project will consist of four components designed to assist the Malawi Union of Savings and Credit Cooperatives Organization (MUSCCO) in the development of a national cooperative savings and credit society (Credit Union) in Malawi.

The goal of the MUSCCO and this project is to make savings, credit and related cooperative services available to a greater number of families in Malawi.

Assistance will be provided in the following areas:

- (1) technical assistance to MUSCCO for a minimum period of three years;
- (2) short-term technical consultancy support to MUSCCO for a minimum of five years;
- (3) financial assistance to MUSCCO for budget support; and
- (4) commodities, e.g., filing cabinets, desks, chairs, typewriter and other office equipment.

## II. Discussion of Impact

Due to the nature of this project and the activities which will take place with funds provided by A.I.D., a project checklist has not been prepared. It has been determined that no direct significant impact on the natural or physical environment will result as a consequence of this project.

## III. Recommendation

On the basis of this initial environmental examination, this project can be justifiably designated as environmentally innocuous. Therefore, it is recommended that a negative determination be made on this project.

PROJECT TITLE : MALAWI UNION OF SAVINGS AND CREDIT  
COOPERATIVES DEVELOPMENT

PROJECT LOCATION : LILONGWE AND TEH REPUBLIC OF MALAWI

PVO NAMES AND LOCATION : AFRICA COOPERATIVES SAVINGS & CREDIT  
ASSOCIATION  
BOX 43278  
NAIROBI, KENYA

-and-

WOCCU/CUNA GLOBAL PROJECTS OFFICE  
1120 19th STREET, N.W.  
WASHINGTON, D.C. 20036

CONTACT PERSONS : MR. BARTHOLOMEW QUAINOC, EXECUTIVE  
SECRETARY, ACOSCA

MR. THOMAS R. CARTER, PROGRAM DIRECTOR,  
WOCCU/CUNA GLOBAL PROJECTS

DATE OF SUBMISSION : JUNE 5, 1980

DATE OF PROJECT START : OCTOBER 1, 1980

TOTAL OPG REQUEST : US\$ 774,243