

PD-APP-086
15N-34012
XD-APP-086
CLASSIFICATION
PROJECT EVALUATION SUMMARY (PES) -- PART I

Report Control
Symbol U-447

1. PROJECT TITLE MALAWI UNION OF SAVINGS AND CREDIT COOPERATIVES PROJECT			2. PROJECT NUMBER 612-0205	3. MISSION/AID/W OFFICE USAID/Malawi
4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY)				
<input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION				
5. KEY PROJECT IMPLEMENTATION DATES A. First PRO-AG or Equivalent FY <u>80</u> B. Final Obligation Expected FY _____ C. Final Input Delivery FY <u>85</u>	6. ESTIMATED PROJECT FUNDING A. Total \$ <u>759,777</u> B. U.S. \$ <u>759,777</u>	7. PERIOD COVERED BY EVALUATION From (month/yr.) <u>Sept. 1980</u> To (month/yr.) <u>Oct. 1983</u> Date of Evaluation Review _____		

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. Concurrent attention must be given to the institutional development objectives in order to attain the objectives set for the Central Finance Program.	MUSCCO	Dec. 1984
2. Need to solve any complication in the AID funding mechanism, such as the involvement of additional contractors, because this has the potential for confusion and conflict.	MUSCCO, AID	June, 1984
3. Recommend that AID recognize the need to have a long-term commitment to the development of MUSCCO and its affiliated credit unions.	AID, MUSCCO	June, 1984
4. Recommend that additional capital resources be provided to MUSCCO by USAID.	AID, MUSCCO	June, 1984
5. Recommend that additional AID resources for technical assistance and institutional support which will include additional staff and equipment for three years (1984, 1985, 1986).	AID, MUSCCO	June, 1984
6. MUSCCO should review its present organizational structure and work plan for possible improvements that could be made with the use of increased resources.	MUSCCO	April, 1984

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS <input type="checkbox"/> Project Paper <input checked="" type="checkbox"/> Implementation Plan e.g., CPI Network <input type="checkbox"/> Other (Specify) _____ <input type="checkbox"/> Financial Plan <input type="checkbox"/> PIO/T _____ <input type="checkbox"/> Logical Framework <input type="checkbox"/> PIO/C <input type="checkbox"/> Other (Specify) _____ <input type="checkbox"/> Project Agreement <input type="checkbox"/> PIO/P _____	10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT A. <input type="checkbox"/> Continue Project Without Change B. <input type="checkbox"/> Change Project Design and/or <input type="checkbox"/> Change Implementation Plan C. <input type="checkbox"/> Discontinue Project
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11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles) Jack Dublin, ITS, Team Leader David P. Harmon, Ronco Consulting, Financial & Institutional Development Specialist Mebratu Tsegaye, World Council of Credit Unions Institutional Development Advisor	12. Mission/AID/W Office Director Approval Signature _____ Typed Name <u>Sheldon W Cole</u> Date _____
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7.	There exists a latent loan demand within the existing credit unions which will multiply as the movement expands. Facts on the purposes, amounts, and collectability of loans now in credit union portfolios and the purposes and quantification of the effective loan demand.	MUSCCO	Sept. 1984
8.	Recommend that MUSCCO conduct a loan development survey.	MUSCCO	Sept. 1984
9.	Recommend a close monitoring of the signals of success or failure that appear in the credit unions members' savings efforts.	MUSCCO	Sept. 1984
10.	Recommend that AID and MTIT continue to advocate the co-operative approach to establishing credit unions.	AID, MTIT	March 1984
11.	Recommend that MUSCCO actively encourage the organization of employee-based credit unions which could mobilize savings on which to leverage AID funding, and equally, generate more rural development loans.	MUSCCO	Sept. 1984
12.	Recommend the development of a workable agreement between AID and MUSCCO on the parameters of rural development lending which will become more important as the Central Finance portfolio grows.	MUSCCO, AID	Sept. 1984
13.	The creation of a self-supporting credit union system in Malawi depends on preserving the existing harmonious condition between MUSCCO and the GOM. Continued sensitivity to the needs and capacities of the GOM, MUSCCO the credit unions and members as each learn to play its role.	MUSCCO, GOM	Sept. 1984
14.	Need for MTIT staff to obtain credit union education and training now in order to prepare them for overseeing an increasingly complex and growing credit union financial system.	MUSCCO, AID GOM	June 1984
15.	Recommend that MTIT, with MUSCCO's assistance, begin to organize a series of short refresher courses in credit union auditing with the aim of drawing up standardized auditing guides, which would reflect the specialized experience of GOM, MUSCCO and interested accountants.	MUSCCO, GOM	June 1984
16.	Recommend that field staff continue to encourage credit unions to send women to training sessions so that they can develop competence and confidence.	MUSCCO	June, 1984
17.	Women should be encouraged to take a more active role in membership meetings and training programs.	MUSCCO	June, 1984
18.	A female field assistant should be considered as part of any expanded field services staff.	MUSCCO	Sept. 1984
19.	Recommend that Registrar of Cooperatives, as the senior government official for cooperatives, mediate the problems involving disputes among the credit union leaders.	MUSCCO, GOM	March 1984

13. SUMMARY

MUSCCO has been successfully established. It has a functional Board of Directors, an effective staff including three regional field officers assisted by Peace Corps volunteers, and it recently sent out its first billing for annual membership dues to 30 of the 39 registered credit unions. Eleven approved loans to credit unions, amounting to MK 28,000 have been forwarded to the Ministry of Trade, Industry and Tourism for concurrence prior to disbursement.

In aiming to accelerate the transformation of Malawi's scattered societies into a modern credit union system through the creation and support of a central credit union, technical expertise has been melded with institutional experience to combine the two ingredients of training and capital funding. The execution of the plan through September, 1983 reflects very favorably on the project design, the local leadership, the management advisor, the GOM, USAID, and the international support organizations, WOCCU and ACOSCA.

Membership education in bookkeeping and management training has produced good results. Further, credit unions have multiplied as have their members (11,000), their shares (MK 544,000) and their loans (MK 646,000).

Problems encountered include numerous delinquent loans resulting from overly restrictive credit union lending policies and lax collection practices. Moreover, members and potential members lack the understanding of how to use the savings and loan benefits which a credit union can provide, thus limiting the capital and lending capacity in the system.

The normal turn-over of voluntary leaders produces a continuing stream of new officials to be trained by MUSCCO's small staff, thus, membership education, lending and collection expertise are all in short supply. These and other problems have inhibited the growth of credit unions, and have impaired the ability to capitalize on MUSCCO and use its Central Finance service.

14. EVALUATION METHODOLOGY

The purpose of the evaluation is to assist MUSCCO in measuring and evaluating its operation during the first two years of the Project, and to enable USAID to assess whether the direction MUSCCO has taken is consistent with the basic purposes and goals of the project and cooperative development in Malawi.

The study was conducted in Malawi's three geographic regions, and interviews were held with members, potential members, and officials of eight credit unions and two credit union study groups representing a cross section of new established, relatively large and small, rural and urban, successful and unsuccessful groups in various stages of progress and achievement. Also interviewed were officials and staff of the Ministries of Trade, Industry and Tourism, Agriculture, Finance and Health. Similar interviews were held with MUSCCO's officers, staff and Management Advisor. MUSCCO financial records and correspondence files were also reviewed.

The evaluation was prepared for the USAID Mission to Malawi by a three-member team: Jack Dublin, International Technical Services, Team Leader; David P. Harmon, Jr., Ronco Consulting Corporation, Financial and Institutional Development Specialist and Mebratu Tsegaye, World Council of Credit Unions, Institutional Development Advisor. The four week evaluation cost approximately \$ 25,000.

15. EXTERNAL FACTORS

There are four external factors which have been identified as having an impact on the project, including:

- A) A latent loan demand within the existing credit unions which without doubt will multiply as the movement expands. Data and other studies are needed on the purposes, amounts, and collectability of loans now in the credit union portfolios as well as the purposes and quantification of the effective loan demand.
- B) There are indications that the difficulties of upgrading the existing societies are causing MUSCCO to de-emphasize the organizing program. Growth is essential to the viability of MUSCCO and the project could falter or halt without the infusion of new societies, new leadership and new members.
- C) Although women are at present well accepted as both fully active savers and borrowers and also as elected leaders, the need exists to encourage more women to attend and participate in training sessions.
- D) A major factor which could impact greatly on the success of MUSCCO, particularly in the Northern Region, is the criticism of an expatriate missionary. Top level mediation is needed to resolve this public relations problem.

16. INPUTS

The progress made to date in MUSCCO development speaks well of the conceptual framework, and the appropriateness, timeliness and quality of the inputs. This progress was achieved within the three-year period despite the delay of almost a year in staffing.

17. OUTPUTS

On a percentage basis, outputs range from good to satisfactory except in the case of member credit union shares in the Central Fund and the earned income of MUSCCO, computed at 12% and 10% respectively in comparison with end-of-project expectations. This suggests that there were over-expectations for the Central Finance service and it is necessary now to provide specifically for Central Finance loan development with the addition of two specific objectives: loan development research and loan development promotion.

18. PURPOSE

The purpose of MUSCCO 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. Credit unions are

slowly taking root in Malawi and MUSCCO is becoming a reality, thus the project goals and purposes are being met if more slowly than anticipated. In order to attain all of the objectives set forth for MUSCCO it will be necessary to place more emphasis on institutional development objectives such as loan development research and loan development promotion.

19. GOAL/SUBGOAL

Goals include:

To provide and expand the number, membership, savings and productive lending of financially viable cooperative savings and credit societies in Malawi.

To develop a financially viable national association of these societies capable of providing required technical and financial services to its membership.

To increase society member savings and borrowing capacities, especially for agricultural production and rural small business development purposes.

To improve management throughout the system.

To improve the financial management skills and creditworthiness of individual members, the societies and the national association.

See number 18.

20. BENEFICIARIES

The principal beneficiaries of the MUSCCO project will be cooperative savings and credit society members and their families located mainly in rural areas of the country. At the mid-term of the project, the number of credit unions has grown from 24 to 39 (the end of project goal). Membership grew from 7,742 to 11,000 (end of project goal approximately 16,000) and member savings grew from MK 363,000 to MK 544,000 (end of project goal is MK 1,044,100). Family beneficiaries have grown from 37,140 to 54,955 (end of project goal is 81,065).

21. UNPLANNED EFFECTS

Not pertinent at this time.

22. LESSONS LEARNED

It should be emphasized that the rate at which Malawi's credit unions can expand depends on their own capacity to generate local savings. Failure to respect that limitation on growth could jeopardize the long term viability of the entire credit union system.

23. SPECIAL COMMENTS OR REMARKS

None at this time.

PROJECT EVALUATION SUMMARY (PES) – PART II

The following topics are to be covered in a brief narrative statement (averaging about 200 words or half a page per item) and attached to the printed PES facesheet. Each topic should have an underlined heading. If a topic is not pertinent to a particular evaluation, list the topic and state: "Not pertinent at this time". The Summary (Item 13) should always be included, and should not exceed 200 words.

13. SUMMARY - Summarize the current project situation, mentioning progress in relation to design, prospects of achieving the purpose and goal, major problems encountered, etc.

14. EVALUATION METHODOLOGY - What was the reason for the evaluation, e.g., clarify project design, measure progress, verify program/project hypotheses, improve implementation, assess a pilot phase, prepare budget, etc? Where appropriate, refer to the Evaluation Plan in the Project Paper. Describe the methods used for this evaluation, including the study design, scope, cost, techniques of data collection, analysis and data sources. Identify agencies and key individuals (host, other donor, public, AID) participating and contributing.

15. EXTERNAL FACTORS - Identify and discuss major changes in project setting, including socio-economic conditions and host government priorities, which have an impact on the project. Examine continuing validity of assumptions.

16. INPUTS - Are there any problems with commodities, technical services, training or other inputs as to quality, quantity, timeliness, etc? Any changes needed in the type or amount of inputs to produce outputs?

17. OUTPUTS - Measure actual progress against projected output targets in current project design or implementation plan. Use tabular format if desired. Comment on significant management experiences. If outputs are not on target, discuss causes (e.g., problems with inputs, implementation assumptions). Are any changes needed in the outputs to achieve purpose?

18. PURPOSE - Quote approved project purpose. Cite progress toward each End of Project Status (EOPS) condition. When can achievement be expected? Is the set of EOPS conditions still considered a good description of what will exist when the purpose is achieved? Discuss the causes of any shortfalls in terms of the causal linkage between outputs and purpose or external factors.

19. GOAL/SUBGOAL - Quote approved goal, and subgoal, where relevant, to which the project contributes. Describe status by citing evidence available to date from specified indicators, and by mentioning the progress of other contributory projects. To what extent can progress toward goal/subgoal be attributed to purpose achievement, to other projects, to other causal factors? If progress is less than satisfactory, explore the reasons, e.g., purpose inadequate for hypothesized impact, new external factors affect purpose-subgoal/goal linkage.

20. BENEFICIARIES - Identify the direct and indirect beneficiaries of this project in terms of criteria in Sec. 102(d) of the FAA (e.g., a. increase small-farm, labor-intensive agricultural productivity; b. reduce infant mortality; c. control population growth; d. promote greater equality in income; e. reduce rates of unemployment and underemployment). Summarize data on the nature of benefits and the identity and number of those benefitting, even if some aspects were reported in preceding questions on output, purpose, or subgoal/goal. For AID/W projects, assess likelihood that results of projects will be used in LDC's.

21. UNPLANNED EFFECTS - Has the project had any unexpected results or impact, such as changes in social structure, environment, health, technical or economic situation? Are these effects advantageous or not? Do they require any change in project design or execution?

22. LESSONS LEARNED - What advice can you give a colleague about development strategy, e.g., how to tackle a similar development problem or to manage a similar project in another country? What can be suggested for follow-on in this country? Similarly, do you have any suggestions about evaluation methodology?

23. SPECIAL COMMENTS OR REMARKS - Include any significant policy or program management implications. Also list titles of attachments and number of pages.

EXECUTIVE SUMMARY

Prepared By: Kaye S. Pasley, USAID/Malawi

Date: February 8, 1984

Project: Malawi Union of Savings and Credit Cooperatives (612-0205)

Country: Malawi

Period of Project: 1980 - 1985

I. What constraints did this project attempt to relieve?

This project was designed to accelerate the transformation of Malawi's inefficient and poorly managed lending societies into a modern credit union.

II. What technology did this project promote to relieve this constraint?

Financial and banking expertise was combined with technical/institutional experience to offer Malawi the two vital ingredients of training and capital funding in updating its credit system to particularly benefit rural smallholders and small business entrepreneurs.

III. What technology did the project attempt to replace?

This project expects to augment and improve a credit union system which was marginally functioning through capital funding for expansion, training to improve management skills, and development of a cohesive national credit union system.

IV. Why did project planners believe that intended beneficiaries would adopt the proposed technology?

Through the previously-operating and scattered credit societies, members had expressed the need for a national cooperative savings credit union financial system which would provide augmented savings and low-cost credit services to low-income persons, especially in the rural areas.

V. What characteristics did the intended beneficiaries exhibit that had relevance to their adopting the proposed technology?

Many of the beneficiaries had sufficient levels of education and exposure to credit societies to benefit from training courses and management services offered by the project.

VI. What adoption rate has this project achieved in transferring the proposed technology?

At the mid-term of the project, the number of credit unions as grown from 24 to 39, membership has grown from 7,742 to 11,000, and member savings has grown from MK 363,000 to MK 544,000. In addition, family beneficiaries have grown from 37,140 to 54,955.

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VII. Has the project set forces into motion that will induce further exploration of the constraint and improvements to the technical package proposed to overcome it?

During the last half of the project, greater emphasis will be placed on Central Finance loan development with the addition of two specific objectives: loan development research and loan development promotion. In addition, greater weight will be placed on encouraging women to become more involved in meetings and training sessions.

VIII. Do private input suppliers have an incentive to examine the constraints addressed by the project and to come up with solutions?

N/A

IX. What delivery system did the project employ to transfer technology to intended beneficiaries?

The project used on-the-job training and formal training sessions in administration and management to effect the transfer of technology.

X. What training techniques did the project use to develop the delivery system?

See answer to Question IX above.

XI. What effect did the transferred technology have upon those impacted by it?

Though no data exists at this time, it is anticipated that through the development of a modern credit union system in Malawi, low-income, rural people will be able to improve their standards of living, raise their incomes, increase their production and meet other of their development needs.

ISN-34013
XD-APP-086-A
U120205/17

MID-TERM EVALUATION
of the
MALAWI UNION OF SAVINGS AND CREDIT CO-OPERATIVES PROJECT
(612-0205)

Prepared By

Jack Dublin
International Technical Services
Team Leader

David P. Harmon, Jr.
Ronco Consulting Corporation
Financial and Institutional Development Specialist

Mebratu Tsegaye
World Council of Credit Unions
Institutional Development Advisor

Prepared for USAID/Malawi

Lilongwe, Malawi
28 October 1983

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MUSCCO EVALUATION EXECUTIVE SUMMARY

Prepared by: Jack Dublin, Evaluation Team Leader
Date : 28 October 1983
Project : Malawi Union of Savings and Credit
Co-operatives (612-0205)
Country : Malawi
Cost : US \$759,777
Period of
Project : 1980 - 1985

Introduction

The credit union plan is a simple one. Members with some kind of common bond (residence, employment) save together to create a common pool of money from which they can make loans to each other. Unlike many other types of co-operatives, such as consumer stores which deal in numerous commodities, credit unions have only one commodity--money.

Malawi's credit unions started small and are still small because most people are wary of putting their money into schemes that have not proved themselves. But the size of these credit unions belies their complexity. They are, in fact, miniature banks with most of the basic functions and problems of banks. Their members must learn the disciplines of management, bookkeeping, auditing, finance,

lending and collection, and they must do this within a democratic framework.

AID's Malawian credit union project is somewhat of a departure from the traditional (limited to technical assistance) support that has helped to create credit union systems in other parts of the world. It aims to accelerate the transformation of Malawi's scattered societies into a modern credit union system through the creation and support of a central credit union. This reflects the pressures for raising the living standards of the rural areas of this predominantly agricultural country. In designing the project, technical expertise has been melded with institutional experience to combine two potent ingredients: training and capital funding. The execution of the plan through September, 1983 reflects very favorably on the project design, the local leadership, the management advisor, the Government of Malawi, AID, and the international support organizations--WOCCU and ACOSCA.

MUSCCO is in place; it has a functional Board of Directors, an effective staff including three regional field officers assisted by Peace Corps volunteers, and it has just recently sent out its first billing for annual membership dues to 30 of the 39 registered credit unions. Eleven approved loans to credit unions, amounting to some MK 28,000 have been forwarded to the Ministry of Trade, Industry and

Tourism for concurrence prior to disbursement.

Membership education has been attempted along with various types of bookkeeping and management training and it has produced some good results. Credit unions have multiplied as have their members, their shares and their loans.

Approximately 11,000 members with MK 544,000 in savings and MK 646,000 in outstanding loans are showing signs of confidence in their own ability to make the credit union plan work. Most of them are enjoying the benefits of two types of group life insurance, paid for by their credit unions and provided by MUSCCO through ACOSCA.

On the other hand, numerous delinquent loans, which probably entail some small losses at this time, have resulted from overly restrictive credit union lending policies and lax collection practices.

Members and potential members are not only poor--they lack understanding of how to use the savings and loan benefits which a credit union can provide, thus limiting the capital and lending capacity in the system.

The normal turn-over of voluntary leaders produces a continuing stream of new officials being trained by MUSCCO's small staff. Membership education, lending and collection expertise are all in short supply.

These and other problems are inhibiting the growth of credit unions, and impairing their ability to capitalize MUSCCO and use its Central Finance service. This postpones their anticipated financial self-sufficiency.

Lessons learned and recommendations

Credit unions are slowly taking root in Malawi and MUSCCO is becoming a reality. As such, MUSCCO has considerable potential for expanding rural credit and increasing the income earned by rural members. Obviously MUSCCO is viewed as a convenient vehicle for substantial donor assistance to the rural sector. This potential has also raised expectations for additional finance resources amongst MUSCCO officials, officials of member credit unions and individual members. All donors should realize that the rate at which Malawi's credit unions can expand depends on their own capacity to generate local savings. Failure to respect that limitation on growth will jeopardize the long term viability of the entire system.

In order to attain the objectives set for the Central Finance program, concurrent attention must be given to the institutional development objectives. Management

resources could be overtaxed, however, if not judiciously used for concurrent Central Finance and institutional requirements. The novelty of this experiment in institutional and financial development is almost certain to attract a continuing stream of observers from within and without the credit union and development communities to further devour management and staff energies.

Finally, any complication in the AID funding mechanism, such as the involvement of additional contractors, has the potential for confusion and conflict that will ultimately be felt by MUSCCO. The multi-donor problem of ACOSCA, an AID-assisted pan-African credit union association, is a case in point.

Funding and staffing

We recommend that AID recognize the need to have a long-term commitment to the development of MUSCCO and its affiliated credit unions. However, assistance to MUSCCO must be flexible and respond to MUSCCO's own evolution. For the immediate future (three years), we recommend that additional capital resources be provided to MUSCCO. In addition, and equally important, we recommend additional AID resources for technical assistance and institutional support which will include additional staff and equipment for the three years 1984-1985-1986. Prior to this expansion

MUSCCO should review its present organizational structure and work plan for possible improvements that could be made with the use of increased resources.

Loan Development

We believe that there is a latent loan demand within the existing credit unions and that this loan demand will multiply as the movement expands. Needed are facts on the purposes, amounts, and collectability of loans now in the credit union portfolios and the purposes and quantification of the effective loan demand. Guidelines could be drawn from these facts to assist in the formulation of loan promotion, lending, and collection policies, and related educational programs.

We recommend that MUSCCO conduct a loan development survey as detailed in Section 5 of this report.

Importance of members' savings

Creating a credit union system involves combining efficient banking services with the involvement of a supportive membership that saves in order to get loans. One should not ignore the signals of success or failure that appear in the credit union members' savings efforts, no matter how small.

We recommend close monitoring of this indicator.

MUSCCO's co-operative identity

The fact that other co-operatives have failed in Malawi creates problems for the project and raises questions as to the reasons for the co-operative identity of credit unions and MUSCCO.

Among the reasons that could be advanced for maintaining the co-operative structure are their benefits from partnership with their sponsoring co-operatives and the economic advantages of cost-saving volunteer leadership activity.

We recommend that AID and MTIT continue to advocate the co-operative approach.

Employee-based credit unions

There appear to be some indications that the difficulties of upgrading the existing societies are causing MUSCCO to de-emphasize the organizing program. The problem is that the momentum that has been building up since 1979 to create a strong movement could falter or halt, without the infusion of new societies, new leadership, and new members. Growth is essential to the viability of MUSCCO.

We recommend that MUSCCO actively encourage the organization of employee-based credit unions which could mobilize savings on which to leverage AID funding, and equally, if not more important, generate more rural development loans.

Rural development lending

Since the urban outreach might be construed as a departure from the project rural development purpose, it might be noted that one phenomenon of credit union development in African countries is the tendency of worker-based societies to become rural development institutions. This arises from the fact that most workers in the cities also maintain a farm in their home areas and help to support their families there.

A workable agreement between AID and MUSCCO on the parameters of rural development lending will become more important as the Central Finance portfolio grows.

We recommend early attention to this task.

Role of government

The Ministry of Trade, Industry and Tourism has retained control over the entire credit union movement while leaving much of the responsibility for supervision and auditing of individual credit unions to MUSCCO. The attitude of Government could be described as one of paternal interest.

Creation of a self-supporting credit union system in Malawi depends on preserving this harmonious condition, with sensitivity to the needs and capacities of the Government of Malawi, MUSCCO, the credit unions, and members, as each learns to play its role.

MTIT staff could use credit union education and training now, to prepare themselves for overseeing an increasingly complex and growing credit union financial system.

We recommend that MTIT, with MUSCCO's assistance, begin to organize a series of short "refresher" courses in credit union auditing. The aim should be to draw up standardized auditing guides, reflecting the specialized experience of Government, MUSCCO, and interested certified accountants.

Women in credit unions

Traditionally in Malawi women are treated with deep respect, and are expected to remain at home. Nevertheless, women are beginning gradually to participate in credit union activities, probably reflecting the rate at which women are entering the economy in the country as a whole.

When they participate they seem to be well accepted as both fully active savers and borrowers and also as elected leaders. Of the women who felt comfortable enough to speak up at

meetings we attended, all agreed they had no other access to credit than the credit union.

We recommend that field staff continue to encourage credit unions to send women to training sessions so that they can develop competence and confidence. Women officers of credit unions should be invited to lead discussions at membership meetings and training programs. A female field assistant should be considered as part of any expanded field services staff.

MUSCCO's public relations problem

As with any people's organization it is inevitable that there will be public relations problems involving disputes among the leaders. There is a particularly vexing problem in the Northern Region. Many of the credit unions there owe much of their progress to the efforts and financial assistance of an expatriate missionary who has become a vehement critic of MUSCCO's management and policies, and, by implication, its Board of Directors. The Board members and staff of MUSCCO are struggling to cope with his criticism of MUSCCO's operations and Central Finance policies. Governmental mediation at a high level might help to provide a constructive solution to this problem.

We recommend that the Registrar of Co-operatives, as the senior government official for co-operatives, mediate this controversy.

INTRODUCTION

This mid-term evaluation, covering the first three years of the MUSCCO project, was made by a three-member team:

Jack Dublin, International Technical Services, Team Leader;
David P. Harmon, Jr., Ronco Consulting Corporation, Financial and Institutional Development Specialist; and Mebratu Tsegaye, World Council of Credit Unions, Institutional Development Advisor.

The study was conducted in Malawi's three geographic regions (Northern, Central and Southern). Interviews were held with members, potential members, and officials of eight credit unions and two credit union study groups representing a cross section of new and established, relatively large and small, rural and urban, successful and unsuccessful groups in various stages of progress and achievement (Appendix I). Also interviewed were officials and staff of the Ministries of Trade, Industry and Tourism (MTIT), Agriculture, Finance and Health. Similar interviews were held with MUSCCO's officers, staff, and Management Advisor (Appendix II).

MUSCCO financial records and correspondence files were made available to the evaluation team. Throughout the fact-finding exercise, USAID/Malawi provided consultation and logistical support.

Terms of reference for the study appear in Appendix III.

Section 1

REVALIDATION OF DESIGN PROJECT

1.1 Goal and objectives

The goal of this project is to develop a national co-operative 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.

The objectives of the project are:

1. To promote and expand the number, membership, savings and productive lending of financially viable credit unions;
2. To develop a national association (league) that will be increasingly self-sufficient, capable of providing needed services to affiliated credit unions;
3. To increase credit union members' savings and borrowing capacities, especially for agricultural production and rural small business development;
4. To improve personnel and financial management skills of members, credit unions, and MUSCCO.

The principal beneficiaries of the project will be credit union members and their families, mainly in rural areas of Malawi. The project is designed to provide technical, financial, and commodity assistance to the Malawi credit union movement over the five year period 1980-1985.

End-of-project status:

1. MUSCCO will be capable of performing routine internal management functions and providing essential financial and technical support services.
2. Operational capabilities of member savings and credit societies will be significantly improved, resulting in substantial increase in the system's total membership, savings, and loans.

Number of savings and credit societies will be at least 39.

Membership in societies will be at least 16,213.

Members' savings in societies will be at least MK 1,044,100.

Loans outstanding in societies will be at least MK 939,700.

Family beneficiaries will be at least 81,065.

3. 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.

Central Fund (Central Finance) assets will be at least MK 107,900.

Member society shares with MUSCCO will be at least MK 67,700.

MUSCCO loans outstanding will be at least MK 56,000.

MUSCCO earned income will be at least MK 73,303.

MUSCCO will be at least 35% self-sufficient.

1.2 Inputs

The inputs to be provided during the project period

(10/1/80 - 9/30/85) by AID and MUSCCO include:

<u>Source</u>	<u>Amount</u>
AID/WOCCU/CUNA	
Budget support of MUSCCO administration	US \$ 307,025
Commodity cost	54,696
Training/seminars	37,609
Loan fund	50,057
Technical assistance	<u>310,390</u>
Total	\$ 759,777
MUSCCO	
Operational cost	57,226
Depreciation cost	<u>27,522</u>
Total	\$ 91,629
TOTAL PROJECT COST	\$ <u>851,406</u>

The total financial input from AID, including technical assistance, commodities and capital funds, for training, and general budget support for MUSCCO, amount to \$759,777.

In addition, it was anticipated that MUSCCO would generate a total of \$91,629 (MK 73,303) in income, US \$27,522 of which would cover depreciation on fixed assets, leaving a balance of \$57,226 available to cover cash expenses.

Thus, the total anticipated cost of MUSCCO during the five years is \$851,406.

1.3 Findings

We believe the project design is essentially sound. The progress made to date in MUSCCO development speaks well of the conceptual framework, the appropriateness, timeliness, and quality of the inputs and outputs.

The fact that this progress was achieved in the three-year period despite the delay of almost a year in staffing, further confirms the workability of the project plan.

However, one year of effort has been lost and this fact should now be recognized in redesigning the project to extend it to year-end 1986. (Our recommendations for additional funding, Section 5, contemplate this extension.)

MUSCCO's Annual Report, 1982/83, states that "There are still a few societies unaffiliated . . ." This points to the need for a MUSCCO project objective that will specify an effort to maintain affiliation of all registered societies. We find nothing in the Co-operative Societies Act or Rules that requires such affiliation and we are unaware of any MTIT ruling in this regard. As long as affiliation is a voluntary credit union decision, MUSCCO will be faced with the challenge of obtaining and retaining its membership. Appropriate language to describe this objective should be written into the project design.

We find no language in the project document that speaks specifically of loan development research and loan promotion although these might be inferred from MUSCCO budget support for society promotion. Ordinarily such promotion, in time, activates loan development, but this project does not allow for that amount of time.

In order to make projections for MUSCCO's Central Finance income, there must be more evidence about the entire system's loan absorptive capacity. The project design should be modified accordingly.

Society growth and MUSCCO growth (see Tables 1 and 2, pp.8 & 9) have been analyzed at the mid-term. On a percentage basis, outputs range from good to satisfactory except in the case

of member credit union shares in the Central Fund and the earned income of MUSCCO, computed at 12% and 10% respectively in comparison with end-of-project expectations.

This suggests that there were over-expectations for the Central Finance service. If the design was flawed in that respect it would help now to provide specifically for Central Finance loan development which is both the principal source of the entire projected MUSCCO income and at the same time totally dependent on the amount of Central Finance shares owned by the member credit unions.

The design change that appears most appropriate, assuming that Central Finance will eventually become the major source of revenue for MUSCCO (over an indeterminate period), would be to specify two additional objectives: loan development research and loan development promotion.

TABLE 1 - SOCIETY GROWTH, (actual vs. objectives)

Indicators	(Start of Project) 1980	1983 (a)	Actual at 9/30/83 (Mid-term) (b)	1984	(End of Project) 1985 (c)	Mid-term Actual vs. Objective (%) (b/a)	Mid-term % Achievement of End of Project Output (b/c)	1986
Society Members	7,428	12,824	10,991	14,519	16,213	86	68	22,989
Family Beneficiaries	37,140	64,120	54,955	72,595	81,065	86	68	114,945
Number of Societies	24	33	39	36	39	118	100	51
Total Savings (MK-000)	350	741	544	887	1,044	73	52	1,774
Loans Outstanding (MK-000)	365	667	547	799	940	82	58	1,597

TABLE 2 - MUSCCO GROWTH

Indicators	(Start of Project) 1980	Actual at 9/30/83 (Mid-term) (a)	(End of Project) 1985 (b)	Mid-term % Achievement of End of Project Output (a/b)
Central Fund Total (MK)	0	62,500 ¹	134,625 ¹	46
Member Shares	0	10,482	84,625 ¹	12
Staff Trained	2	8	9	89
Earned Income (MK)	300	2,650 ²	26,250	10
Expenses (MK)	10,549	61,000 ³	75,984 ¹	80
% Self-Sufficient	3	4	35	-

¹ MK/US\$ = 1.25

² Estimated income for 1983

100 MK actual as of 9/30/83

250 MK earned commission on risk management account

2300 MK credit union dues to MUSCCO (100% collection)

³ Expenses for calendar year 1983 based on actual expenses (40,900 KW) to 8/31/83

Section 2

MUSCCO DEVELOPMENT

The purpose of this section is to assess MUSCCO's progress toward the objectives (outputs) set by itself and the project for its own development:

- 2.1 Registration of MUSCCO
- 2.2 Qualified staff employed
- 2.3 Basic internal management systems operating and producing expected output in accordance with MUSCCO work plans and budgets
- 2.4 Central Finance facility capitalized and operating, including pilot small farmer production credit and small business development credit programs
- 2.5 Society support services provided; output meeting quality and quantity standards specified on MUSCCO work plans
- 2.6 Institutionalization

2.1 Registration of MUSCCO

2.1.1 Objective: Registration of MUSCCO as a secondary level, national co-operative organization.

Target completion date: September 15, 1980

Actual completion date: September 15, 1980

Specific achievement: Objective achieved on time.

Comment: Condition precedent satisfied.

2.2 Qualified staff employed

2.2.1 Objective: Implement Promotion, Education, Activities Committee (PEAC)-approved organizational structure.

Target completion date: December 31, 1980

Actual completion date: March 1, 1982

Specific achievement: Objective achieved with the exception of the clerk's position.

Comments: The achievement of this objective was delayed because:

until August, 1981, MTIT was reluctant to give MUSCCO the right to hire its own staff without MTIT participation in the hiring process and decision. This matter was resolved in MUSCCO's favor on August 4, 1981.

MTIT wanted the right to countersign all MUSCCO checks. This demand was dropped on August 4, 1981.

of the time necessary to advertise, interview, and to go through the selection process of candidates.

MUSCCO is contemplating redefining the bookkeeper's responsibilities to include assumption of the risk management function. The field officers are currently overloaded with all field services, audits, and risk management tasks. The clerk, when hired, would undertake some bookkeeping duties and thus become a bookkeeping assistant.

The Peace Corps volunteers have been instrumental in helping the field officers in their training, daily work, audit programs, and in providing backstopping services.

2.3 Basic Internal Management Systems

Most of the internal management systems--financial, personnel--are operative, but in certain cases are not adequate. For example, the billing and collection procedures are in place, but the financial results are not yet adequate. Auditing procedures are still pending, but should be resolved by the end of 1983. The accounting system does produce financial information which is consistent for the budgeting process. One can conclude that MUSCCO has made adequate progress in this area. The internal management systems will become more fully operative when yearly work plans are prepared (the first complete work plan has just been finished--for the year 1984), and a management accounting system is put into place.

2.3.1 Objective: Establish MUSCCO Board of Directors* and committees as effective policy-making bodies.

Target completion date: Not specified in project document.

* Throughout the report we use MUSCCO's everyday terminology in referring to the Board of Directors of MUSCCO and its General Manager. The Bye-laws describe a Management Committee and a Secretary-Manager (Chief Executive Officer).

Anticipated completion date: Mid-1984.

Board of Directors established on August 14, 1981. All standing committees established on August 15, 1981. Ad hoc committees formed as needed.

Specific achievements: Board of Directors and all standing committees formed; their policy-making abilities are improving. A major turning point in the effectiveness of the leadership of MUSCCO came in November, 1982, when the Credit Committee became heavily involved in the formulation of Central Finance policy. In January, 1983, the Board of Directors discussed and approved the policy. In responding to arguments against the Central Finance concept and policy, the Board has hastened to develop responsive strategies. The Board has shown flexibility in allowing technically ineligible credit unions to obtain loans in order to ease their liquidity problems.

Comments: The difference between policies and procedures, and how procedures flow from policies, was presented verbally at the January, 1983 Board meeting. MUSCCO management intends to prepare written materials for the November, 1983 Board meeting.

The Credit Committee has been activated, met three times, and has grappled with the Central Finance policy.

The Executive Committee has met, dealt with personnel questions, and most recently, with the matter of contingent signatories.

The Supervisory Committee reportedly will work to prepare criteria for the selection of external auditors for MUSCCO for the November, 1983 board meeting.

2.3.2 Objective: Develop and implement an organization planning system to identify goals, required policies, implementation strategies, measurable objectives, and evaluation methods.

Target completion date: Prior to March 31, 1981.

Actual completion date: Mid/late 1984.

Specific achievements: The achievement of this objective is far behind schedule. No formal five year plan has been prepared to date. A partial 1982 work plan was completed in early 1982. A more complete general work plan has been prepared for calendar year 1984. In 1977 a complete analysis of PEAC was completed. An institutional analysis of MUSCCO and its member credit unions has not been done to date.

Comments: Two factors have delayed the achievement of this objective:

Initially, the Board of Directors did not recognize the value of planning. With the Central Finance operation coming on stream, and the concomitant need to determine appropriate policies, Board interest in planning has increased.

From the beginning of the project, the Management Advisor was overloaded with day-to-day operational matters. This combination of demanding day-to-day operational responsibilities and the lack of Board interest in planning led the Advisor to shift his priorities away from planning. This has now changed.

It may be too early for a formal institutional analysis except on a monitoring/observation basis. Some of the elements of planning and control have been recognized in the preparation of quarterly reports which review the status of project activities, the development of the 1984 plan, and project tracking via various indicators--number of credit unions, membership shares, Central Finance shares.

A suggested management planning and control system is described in Appendix IV.

2.3.3 Objective: Establish 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 management of central finance

Costing and pricing of services.

Target completion date: September 30, 1981

Actual completion date: Some systems established; others still in process.

Specific achievements include:

Budgeting and funds appropriation process established and being implemented.

Cash flow analysis established and being implemented on a monthly and quarterly basis.

Accounting and reporting procedures established and in operation. Auditing procedures still pending.

Billing and collection procedures--system in place, but results not yet adequate.

Capitalization and central finance management policy approved in January, 1983; specific procedures being prepared; procedures to be completed and approved by the end of the first quarter of 1984.

Costing and pricing of services--completed for supplies and equipment; to be done for educational materials; completed for other educational services currently offered, i.e., regional seminars. MUSCCO considering modest fee for audits of credit unions.

Comments:

Budgeting - The accounting system does produce data which can be consistently compared with budgeted figures. To take advantage of this on a systematic basis, a format compatible with management decision-making needs will have to be devised. This will be an integral part of a management planning and control system.

Cash flow - This system is operative including the

Central Finance accounts with the exception of the Central Finance passbook account into which deposits have not been made because of lack of a signatory, and the recently opened Pension Plan (Conditions of Service) accounts. The ACOSCA/MUSCCO risk management account is operating normally after a long delay in getting necessary documents signed. The ACOSCA/PEAC risk management account with a balance of MK 3,200 has to be closed, and the proceeds credited to MUSCCO. MUSCCO will then have to determine the desirability of opening a fixed deposit account with any excess funds over what is required for operation of the ACOSCA/MUSCCO risk management account (the interest to be divided equally between MUSCCO, the credit unions and ACOSCA).

Funding remittances by WOCCU and disbursements by MUSCCO are examined in Appendix V.

Accounting, reporting and auditing procedures - The General Ledger is up to date as of August 31, 1983. MUSCCO has a detailed General Ledger Manual which is a valuable guide to the organization's accounting. Reporting procedures to WOCCU are currently 2/3 complete and will be 100% complete by the end of 1983. The preparation of management accounting materials has been pending mainly because of time constraints.

The recent lack of a bookkeeper coupled with the startup of the Central Finance facility has emphasized the importance of management (or managerial) accounting.

With respect to auditing, internal control procedures need to be worked on and clarified. The necessary forms have been prepared and a procedural manual is scheduled for January, 1984. MUSCCO is exploring the availability of auditing firms, their capabilities and their fees, in order to have an objective evaluation of its financial procedures and controls. Findings and recommendations will be presented at the November, 1983 Board of Directors' meeting.

Billing and collection procedures - Operative, but delays have occurred because of the bookkeeper vacancy. MUSCCO field officers' duties include collection of unpaid bills. Collections should be improved by the credit union eligibility provision in the Central Finance policy that no loans will be given until all outstanding amounts owing to MUSCCO have been paid. This has already been carried out in the case of the Malawi Railways Credit Union where a past due stationery bill of MK 163 was deducted from their loan.

Capitalization and Central Fund management - Procedures consistent with the approved Central Finance policy will be prepared by the end of the first quarter, 1984. WOCCU has helped MUSCCO to obtain relevant materials from African and other credit union leagues.

Forms for credit union application and promissory notes are being prepared.

Costing and pricing of services - In addition to costing and pricing materials and services, MUSCCO should develop a perpetual inventory system, carry out periodic physical inventories, and develop realistic reorder points for supplies (notably local printed materials).

MUSCCO will, in the future, charge a nominal amount for its educational materials to induce credit unions to make more careful use of them. Costs for producing educational materials have yet to be determined.

2.3.4 Objective: Establish operations management systems for planning, implementation, evaluation and information management in each MUSCCO program or service area.

Target completion date: Not specified in project document.

Planned completion date: End of first quarter, 1984.

Specific Achievements: Elements of these systems are in place insofar as the evaluation component is concerned, but formal systems have not yet been established.

Comments: While evaluations of training have been conducted and it is expected that evaluations of the Central Finance service will be possible in 1984, criteria for evaluating each program area have yet to be established.

2.3.5 Objective: Establish personnel system including: policy and procedures for development of task-based job descriptions; objective performance appraisal standards; position grading and incentive system.

Target completion date: Not specified in project document.

Actual completion date: Task-based job description - June, 1981
Performance appraisal standards - May, 1982
Grading and incentive system - not yet done.

Specific achievements: Job descriptions have been completed, employment procedures established and implemented, and employee evaluations are being carried out on a regular basis.

2.3.6 Objective: Establish office administration systems including filing, petty cash receipts and disbursements, job and report scheduling, and inventory control.

Target completion date: Not specified in project document.

Actual completion date: Filing system - July, 1981
Petty cash - September, 1981
Job and report scheduling - Dec., 1981
Inventory control - in process.

Specific achievements: Although the filing, petty cash and job/report scheduling systems have been put into operation,

improvements need to be made so that documents can be found with a minimum of delay, correspondence does not absorb too much of the General Manager's time, and field officers are not over-burdened with narrative reporting on activities that can be reduced to a checklist.

Reportedly, office procedures are to be documented in a manual in January, 1984. Procurement procedures are working satisfactorily.

2.3.7 Objective: Establish a training system, including needs identification, program design, implementation and evaluation, and materials preparation.

Target completion date: Not specified in project document.

Actual completion date: Needs identification - June, 1982

Program design - June - July, 1982

Program implementation - August, 1982
to date

Program evaluation - September-October,
1982 (informal)

Materials preparation - July, 1982

Specific achievements: In July, 1982 and again in June/July, 1983, MUSCCO management and field staff identified target groups and broad subject areas for the 1982 and 1983 regional seminars for credit union committee members.

Local seminars are held on an ongoing basis--some materials

have been revised into Chichewa. Objective based training/ lesson plans are being revised as field experience grows.

Comments: It is difficult to get the training in book-keeping adapted to meet the varying levels of expertise of credit union bookkeepers. In other areas such as loan policy, training can be more uniform since the topics tend not to involve levels of expertise, and are not so detailed and sequenced.

By mid-1984 MUSCCO should have a library of all training materials organized.

Continued work needs to be done with field staff objective based lesson plans and training.

2.4 Central Finance Facility

2.4.1 Objective: Establish and implement the Central Finance system--capitalization, collection of funds from member societies, and loan policy procedures.

Target completion date: March, 1981.

Actual completion dates: System design - December, 1982
Board approval - January, 1983
Implementation - Ongoing until end of project.

Specific achievements: With the Board of Directors' approval of the Central Finance system in January, 1983, Central Finance got off to an almost two-year delayed start. After a major promotional effort to collect funds during August, 1983, it appears that the 1983 goal of MK 12,000 in Central Finance shares will be attained. MK 28,000 in loans have been approved by MUSCCO's Credit Committee for 13 credit unions, but these loans have not yet been disbursed because the loan disbursement procedures are still being worked out with MTIT. (See Section 4 on financial self-sufficiency.) The next 12 months will be critical in terms of making sufficient progress so that MUSCCO Central Finance facility becomes fully operative. Whether the high level of financial support necessary for MUSCCO to become 35% self-sufficient can be attained by the end of the project is very questionable.

Comments: Training of field officers in their Central Finance responsibilities has started and will be part of the ongoing field services program.

By the end of 1983, MUSCCO plans to have all staff duties for the Central Finance service completely specified.

2.4.2 Objective: Establish pilot small farmer production and small business development programs.

Target completion date: Not specified.

Actual completion date: Not yet operative.

2.5 Society Support Services

2.5.1 Objective: Establish and implement society support services--

Field services (education, training, and supervision) systems and procedures;

Risk management, including fidelity bonding program if feasible;

Standard society accounting forms for sale to societies;

National advertising and promotion program;

Other services including loan collection assistance.

Target completion date: Field services systems and procedures - in progress
Risk management: CUNA/ACOSCA life savings and loan protection insurance available October 1, 1980, implementation ongoing; fidelity bonding program not yet available
Society accounting forms - Oct., 1980
National advertising/promotion - in abeyance
Other services - not yet started.

Specific achievements: Field services--education/training has taken the form of:

An ACOSCA National Seminar in 1981 covering bookkeeping and operations of all standing committees.

As part of the 1983 annual meeting, a two-day training session on central finance, risk management, and parliamentary procedure.

Three Regional Seminars (1982) for Boards of Directors, Credit and Supervisory Committees-- MUSCCO, the organization; interest calculations; delinquency control.

Three Regional Seminars (1983)--bookkeeping, risk management, MUSCCO central finance.

37 local seminars (1981-1983) on a broad range of basic topics.

Training by field officers of treasurers, Credit Committees and Boards of Directors is part of the officers' normal responsibilities during each visit to a credit union.

Field services--supervision includes cash count at each visit by field officers, assistance with timely filing of monthly financial statements and seminar coverage reports, and insistence on regular board and committee meetings.

2.5.2 Objective: Establish Risk Management service-- operating well. The provision by MUSCCO of group life savings and loan protection insurances through ACOSCA to credit unions is considered by members to be a valuable, even essential, service. 10,450 members from 35 credit unions are participating in the insurance program. 62 claims in the amount of MK 8,572 have been paid since the start of the project.

Comments on society support services: The weaknesses of credit union operations indicate a need for substantial improvements in MUSCCO's services to its member societies. Field officers should be given recognition as the representatives of MUSCCO in the areas they serve. Their work

programs should in effect be an extension of MUSCCO's programs. Every field visit should have a specific objective, and the length of each visit should be planned accordingly. It would appear that in many cases fewer visits of longer duration might be more effective in analyzing the problems of the credit unions and assisting with their solution. At the same time, through the integrated assistance of field officers and headquarters staff, MUSCCO can build a record of service that will insure credit union continuing support.

Field officer contact reports need to be revised so that they foster coordinated and directed (toward specific objectives) work on the part of the field officers, headquarters staff and the credit unions. Currently, MUSCCO is receiving very general, narrative descriptions of work done which are of little use to MUSCCO or the credit unions.

Central Finance operations will necessitate a new emphasis on field officers' supervisory duties and on the field officers' role as MUSCCO's representatives in helping credit unions to make good loans which can support Central Finance activity.

Likewise MUSCCO can utilize the field officers' experience and reporting system as the basis for establishing sound business policies and monitoring the collection of such debts owed by credit unions as dues, stationery, seminars,

and, of course, Central Finance loans.

In one case previously noted a borrowing credit union was permitted to refinance its debt for stationery into a Central Finance loan. This could become a precedent for settling other outstanding debts and the dues which have just recently been billed. Obviously, there are limits to this kind of deficit financing. And these limits should be reflected in the direction of the field officers' work.

Regional seminars have already been used for informal discussions of other services to be performed by MUSCCO, such as helping with loan collection. They could likewise be used for discussion of how credit unions can help MUSCCO to collect its own debts.

In attempting to help with credit union loan collections, and with an eye to the future operation of government employee credit unions, MUSCCO plans to explore with MTIT how to put teeth into the government loan collection procedure relating to government and other salaried employees.

The National Advertising and Promotion program (calendars) can only be described as an abject failure. Credit unions did not understand the promotional use of the calendars. It is doubtful that this was understood by the field

officers. With printing delays, the calendars were not available on time. The credit unions never paid for the calendars they received and most of the calendars were never distributed.

MUSCCO is now asking the individual credit unions for their advice and recommendations on appropriate promotional "vehicles."

Internal (MUSCCO) review of the newly prepared credit union accounting manual has been completed. It will be presented to the Registrar of Co-operatives (MTIT) in November, 1983 for his approval. By the end of 1984, field officers and credit union treasurers should have been trained in the new system.

2.6 Institutionalization

2.6.1 Objective: Establishment of the MUSCCO system on a sound financial, technical, and operational basis.

Target completion date: Technical and operational -
September 30, 1983

Financial - September 30, 1983

Revised completion date: Technical and operational -
September 30, 1985

Specific achievements: See discussion on financial self-sufficiency.

2.7 Inputs to MUSCCO

This section deals with the questions of whether the inputs to MUSCCO were adequately specified, and were delivered by the various organizations involved.

2.7.1 Specification of inputs

Commodity assistance and budget support for MUSCCO operating expenses.

Qualified and motivated personnel to fill new staff positions.

Technical assistance to MUSCCO to define critical operating objectives, processes, systems and procedures; and to train staff.

Comments: Financial and commodity support as well as qualified personnel to work within the proposed organizational structure were all adequately specified in the project. Technical assistance to MUSCCO to define key operating objectives, processes, systems and procedures were well specified individually.

Management planning, control and information system was not adequately specified. The overall work plan did not go into sufficient detail in the sense of showing relationships between activities. For example, training required certain inputs (expertise, financial) in a certain time sequence. The ability of credit unions to run their operations better depended, in part, on that training. Better run operations

would have meant increased membership, increased shares and earlier access to MUSCCO's Central Finance facility--and earlier pressure on MUSCCO to have an effective Central Finance operation.

A system for these types of sequenced activities and dependencies would have been immediately useful for MUSCCO management. We have supplied the General Manager with a paper, "Management Planning and Control " (Appendix IV) which describes this type of system.

2.7.2 Delivery of inputs

Government of Malawi

Following is the only description of the Government of Malawi's support to the project as set forth in its agreements with CUNA:

"The Government of Malawi will support the movement's development through the activities of the Co-operative Section of Ministry of Trade, Industry, and Tourism. Credit unions make up all but three of Malawi's operating co-operatives; accordingly the major focus of the Section's three-person staff will be on MUSCCO and its member societies."

This input may have been set forth in the most general of terms because, in the inception of the project, there was considerable question as to how the GOM could best discharge its responsibilities while giving freedom to MUSCCO to develop a self-reliant credit union system. The GOM role is an evolving one. In practice MTIT and the Ministry of

Finance are represented on the MUSCCO Board of Directors. MTIT has voted on some matters and abstained on others. The MTIT representative has set forth the GOM point of view and has served as an information resource to MUSCCO and its Board of Directors.

USAID/Malawi

USAID/Malawi has been very supportive of MUSCCO's work, and its assistance has been timely and effective. It has also been instrumental in insuring clear channels of communication between MUSCCO and MTIT. The few minor differences that have arisen between USAID/Malawi and MUSCCO have been resolved in a satisfactory manner.

WOCCU

WOCCU's input of a highly qualified management advisor has been more than adequate. This is reflected in the creation and operation of MUSCCO which has made very credible progress. WOCCU's consultive services now include backstopping by a project officer with hands-on African credit union experience who can call on other WOCCU consultive resources with experience in central finance/league operations. These specialized services will play an increasingly important role as MUSCCO grows and expands its fledgling Central Finance facility.

ACOSCA

The ACOSCA inputs are principally training and insurance (described in Section 2.5.2 above). The training has been useful to the individual recipients and appears to be properly sequenced in terms of building their overall and specific technical proficiencies. The effective carry-over and application of this training to local credit union needs, however, is questionable. One criticism of the manuals and materials prepared by ACOSCA and its trainees is that they tend to be too technically sophisticated to be transferable to the credit union level.

Open to question is whether much of ACOSCA's training should/could be given in Malawi--in a more practical on-the-job setting--with more immediate, applicable results. Also, the absences of the General Manager and Assistant General Manager due to their attendance at a number of ACOSCA courses outside of Malawi continues to overburden the rest of MUSCCO's office staff. MUSCCO's feeling is that the high level of technical proficiency attained by these key staff members will far outweigh the costs to MUSCCO.

MUSCCO Elected Committees

According to the Project Paper, the elected committees were to have provided at least 40 person-days of work annually. This has been exceeded in each of the two years (1981/82,

1982/83) that MUSCCO has been fully operative.

The two Board of Directors' meetings alone have accounted for approximately 40 person-days of time over the two years. Not counting preparation and travel time, committee meetings and the annual general meetings have accounted for at least 65 person-days over the period 1981/82-1982/83.

Credit Unions

The Project Paper calls for member credit union leadership contribution of "up to 225 person-days per year of volunteer labor." This, of course, is difficult to measure for 39 credit unions, some large, some small, some operating adequately, some not.

More useful measurements would be response to training as indicated by progress in financial reporting, increasing membership and savings, making appropriate, well-evaluated loans, loan delinquency follow-up and collection activities, and response to the Central Finance service. These measurements are discussed in Section 3, Society Development.

Peace Corps

The Peace Corps volunteers who have participated in the MUSCCO effort have been effective in the initial training of field officers and in backstopping them. They have been a definite asset to MUSCCO. The only problem which MUSCCO has encountered

is the Peace Corps' inability to provide three volunteers (one for each region) with the desired backgrounds (local language, business/banking exposure) at any one time. This problem stems partly from general recruitment difficulties in the U.S. and partly from the participation of MTIT in determining the qualifications and job descriptions of the candidates.

Section 3

SOCIETY DEVELOPMENT

This section assesses the progress of member societies' operations as compared with end-of-project outputs:

3.1 Representative societies meeting most basic management standards and experiencing improved financial performance.

3.2 Paid society managers employed where feasible.

3.3 New services implemented where feasible.

3.4 Increases over current movement growth trends:

Membership increased by 1,955 to 16,213

Savings by KW 157,200 to KW 1,044,100

Loans outstanding by KW 141,500 to KW 939,700.

3.1 Representative societies--basic management standards/
financial performance

Only the financially strongest credit unions come close to meeting basic management standards and experiencing improved financial performance. Among the management and financial weaknesses are: lack of budgeting; poor filing and document handling; absence of written, useful loan policies; and inadequate reporting to MUSCCO (although it is improving somewhat).

On the other hand, there has been progress in the areas of bookkeeping, record storage facilities, and recognition of the seriousness of loan delinquency (See Section 3.1.4).

3.1.1 Objective: Increase the frequency of technical assistance to member societies by:

increasing number of field officers from two to three; reducing their administrative duties by creation of MUSCCO managerial and support staff.

providing motorcycles for field officers and a four-wheel drive vehicle for the office staff.

Target completion date: Not specified in project document.

Actual completion date: Field officers - April, 1982
MUSCCO staff - April, 1982
Motorcycles - March, 1981
4WD vehicle - February, 1981

Specific achievements: Objective met.

Comment: The increased operation of the Central Finance facility will place additional responsibilities on the field staff. MUSCCO will have to review its organizational/work structure as the Central Finance facility grows to determine what additional staff will be needed and the most effective ways of coordinating responsibilities of office and field staff.

3.1.2 Objective: Increase the quality of technical assistance to member societies by developing improved society management systems for field officers to implement, and by training of field officers in:

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.

Target completion date: Improved society management systems - March, 1982

Training of field officers in above areas - not specified in project document

Actual completion date: Society management systems - ongoing

Training of field officers, bookkeeping and accounting - April, 1982

Remainder of above-mentioned areas - some ongoing, some not yet started.

Specific achievements:

Society management systems

Filing system designed; continued orientation of field staff and credit unions as to its importance, especially in light of the fact that the 1983 audits of credit unions revealed that filing and handling of documents generally was deplorable.

Training of field staff

Society bookkeeping and accounting completed.

Training of credit union staffs ongoing.

Standard society inspection and auditing procedures--

Auditing procedures in place - January, 1983;

Training given in January, 1983 and on-the-job during February-May, 1983 audit period.

Risk management training of Assistant General Manager in February, 1982 (ACOSCA-Nairobi); field officers were trained by April, 1982.

Credit administration and delinquency control-- ongoing, informal training by the Management Advisor and Assistant General Manager.

Comments: Financial break-even analysis is too sophisticated a concept for most credit unions at this point. It does not provide them, or the field officers training them, with a useful management tool, because they are not collecting enough interest to justify this kind of analysis. Training in simple expense and income analysis will be useful once credit unions begin to experience the effects of regular income.

Budgeting on the credit union level is not yet being done. When yearly work plans are developed for each credit union, the budget process could be an integral part of the field officers' work plan. With more experience, credit unions may be able to forecast their likely future membership gains, associated savings/loans increases, and operational needs.

Auditing procedures will require minor modifications when the Assistant General Manager returns from ACOSCA training in November, 1983 with an audit manual.

3.1.3 Objective: Transfer improved management/financial techniques to societies via national, regional and local seminars for society committee members; intensive society manager training programs; and on-the-job training and supervisory visits to societies by MUSCCO field officers.

Target completion date: Not specified in project document.

Actual completion date: National seminar (ACOSCA) - August, 1981

Regional seminars (three each) - August/September, 1982, and August/September, 1983.

Local seminars - 1981, 1982, 1983

Specific achievements: In MUSCCO's opinion the local seminars and the two-day seminar after the August, 1983 annual meeting have been the most successful. The most effective "transferors" of management and financial techniques have been the supervisory visits of, and the on-the-job training offered by, the field staff.

Comments: The ACOSCA three-four week national seminar (August, 1981) for managers and treasurers did not accomplish much in the way of results, because of the difficulty in getting all the participants together in one group; the skill levels of the participants varied widely (the Northern region in general is at a higher level of understanding); and language differences (Chichewa/Chitumbuka).

3.1.4 Objective: Give specific technical assistance/
training in:

- a. record keeping
 - (i) filing system
 - (ii) record storage facilities
 - (iii) maintaining members' register
- b. reporting
 - (i) monthly financial statements and risk management coverage reports
 - (ii) quarterly delinquency reports
 - (iii) annual listing of directors
 - (iv) annual loans granted report
 - (v) maintenance of committee minute books
- c. general management
 - (i) written policies (personnel, administration, services, membership) approved and implemented
 - (ii) annual work plan preparation and implementation
 - (iii) holding regular committee and general membership meetings
- d. financial management
 - (i) preparation and reconciliation of annual budget with actual quarterly performance
 - (ii) books of account current
 - (iii) bank reconciliations current
 - (iv) establishment of bad debt reserve
 - (v) loan delinquency 10% or less of total loan portfolio
- e. external control
 - (i) monthly cash count
 - (ii) quarterly reconciliation of subsidiary ledgers
 - (iii) bi-annual reconciliation of passbooks
 - (iv) annual inspection and bi-annual audit of credit unions
- f. credit administration
 - (i) written loan policy approved and implemented
 - (ii) MUSCCO credit committee minutes format employed
 - (iii) delinquency control and loan collection systems implemented
 - (iv) loan write-off policies and procedures implemented
- g. external obligations
 - (i) full payment of MUSCCO dues, capitalization, loan repayments and service fees
 - (ii) full payment of ACOSCA dues.

Projected completion dates: Record keeping and reporting - adequate by September 30, 1985

General management - adequate by September 30, 1985

Financial management - adequate by September 30, 1985
(Note: Acceptable delinquency level raised to 25% of loan portfolio.)

Internal control - adequate by September 30, 1985

Audit administration - adequate by September 30, 1985

External obligations - adequate by September 30, 1984.

Specific achievements and comments: There has been a modest improvement in record keeping. However, filing systems have not yet been adopted on a wide scale.

By mid-1984, audits of member credit unions are expected to demonstrate the need for careful filing.

Record storage facilities are more than adequate for some credit unions, less than adequate for others.

Up-to-date members' register maintenance is extremely variable; field officers are emphasizing this aspect of record keeping.

There has been a modest improvement in reporting.

Financial statement risk management reports are not yet adequate although MUSCCO management and the field staff hammer on this aspect of reporting. MUSCCO management feels that the Central Finance facility will give them some leverage in convincing the credit unions of the need for accurate, timely reporting. (The loan application of the Malingunde credit union to the Central Finance facility was disapproved because the credit union had not furnished MUSCCO with its financial statements.)

Quarterly loan delinquency reports are generally deficient and seldom received on a timely basis.

Annual election reports depend on the holding of annual meetings and elections. There has been modest improvement under field staff stimulation, but the question of elections remains politically sensitive.

Annual loans granted reports are not being made. During their 1983 audits of the credit unions, MUSCCO staff gathered this information.

Up-to-date committee minute books have not been maintained. Corrective efforts by the field staff have been unsuccessful.

Written policies on general management have been approved and implemented. As credit unions employ paid treasurers, embryonic personnel policies should evolve. To date there are no written policies on administration or services. Membership policies are specified in credit union bye-laws. Annual work plans are not being prepared, but in 1983 MUSCCO audits included a "plan of action" (what is to be done, and who is to do it) for credit unions. And with field staff these action plans could be turned into annual work plans. Regular committee and general membership meetings vary among credit unions.

Some improvement in financial management is evident in respect to maintenance of books of account and bank reconciliations. Performance is variable, however, "a continual struggle." To help with this problem MUSCCO is stocking and recommending the use of electronic calculators--five have been sold. The

use of annual budgets calls for too high a level of experience and understanding at this time. Field staff are working with the credit unions to determine workable, understandable goals for growth of membership/shares. Establishment of bad debt reserves has been accomplished in only two credit unions. Attainment of this objective will become more important as interest collections provide adequate funding for such reserves and as the losses from bad debts become more apparent. MUSCCO management recognizes the need to get MTIT agreement on the establishment of a bad debt reserve or the alternative use of the regular reserve fund and/or special reserves for charging off bad loans.

The current loan delinquency rate (loans more than three months overdue) is approximately 35-40 percent of outstanding loan balances. MUSCCO considers the original 10 percent delinquency objective to be unrealistic and is now aiming at an end-of-project rate of 25 percent.

External controls consist mainly of MUSCCO field staff monthly cash counts, interim inspections, and annual audits. MTIT has yet to recognize these audits as legally acceptable for credit union dividend authorization purposes (see Section 3.5.4 re: government-sponsored society auditing inputs, and our recommendations in Section 7).

Subsidiary ledger reconcilements with general ledger control accounts are not being made. Passbooks are being verified in some credit unions and this verification was also included in the 1983 audits.

Credit administration. Credit union Boards of Directors are beginning to respond to MUSCCO's insistence on written lending policies. The policy statements, however, tend to be very sketchy and will require continual upgrading efforts so as to provide Credit Committees with criteria and guidelines for effective evaluation of loan applications. An increasing number of credit unions, especially in the Northern Region, are becoming aware of the seriousness of their loan delinquency problems and are taking remedial action (reminders, visits, court action). MUSCCO has presented delinquency control and loan collections systems to credit unions at regional seminars and field officers are urging their use. A format for credit committee minutes is not yet in use.

Loan write-off policies and procedures have not yet been agreed upon by MTIT and MUSCCO.

As to external obligations, MUSCCO's first dues have just recently been billed to member credit unions and collections are in progress (see Section 4); Central Finance capitalization shares started to flow in to MUSCCO at January, 1983;

no Central Finance loan repayments have been made because no Central Finance loans have been disbursed. All MUSCCO seminar fees have been collected for the 1982 and 1983 regional seminars. MUSCCO has paid its ACOSCA dues in full.

3.2 Paid society managers

According to the bye-laws the treasurer is the credit union manager; some treasurers of member credit unions are being paid salaries.

3.3 New services

Few new services have been offered on a wide scale to date. MUSCCO is reluctant at this time to promote new types of savings accounts on the grounds that the credit unions are having a difficult enough time understanding and implementing their basic operations. Very little progress has been made with any type of small farmer production or small business development lending. The paucity of new services offered is symptomatic of the slow progress credit unions have made in their basic operation.

3.3.1 Objective: New services including new types of savings accounts--time and savings deposits; non-share secured loans (character lending, pledged personal assets, etc.); distribution of agricultural inputs; and specialized

loan programs, e.g., small farmer production credit, small business development lending.

Target completion date: Not specified in project document.

Projected completion date: End of project.

Specific achievements: A few credit unions offer no-interest savings deposit accounts. Some character loans are being made in the Northern Region and at Malawi Railways Credit Union. Approximately 10 credit unions, at one time or another, have engaged in making fertilizer loans in kind. Madisi Credit Union, using its financial strength, was able to purchase sufficient fertilizer in bulk to satisfy member needs and surpass the in-kind operations of the local farmers' club.

Comments: Promotion of new types of savings accounts is unrealistic at this time when credit unions are still learning the basics of credit union operation. Non-share secured loans (secured by pledged personal assets) are not yet offered.

3.4 Movement growth trends

3.4.1 Objective: Improve operational capabilities of member societies so as to substantially increase system's total membership, savings, and loans.

Comments: As shown on Table 1 (page 8), credit union membership, savings, shares and loans are below target, but the end-of-project goal of 39 credit unions has already been attained. Services of the Central Finance facility should stimulate growth. MUSCCO anticipates that significant progress toward growth objectives will be made by the end of 1983.

3.4.2 Objective: Provide Central Finance institutional development loans.

Target activity date: From July, 1981 to end-of-project.

Comments: At this stage of development, MUSCCO feels that it will not actively promote institutional development loans, but rather will answer to feasible loan proposals for such projects as self-help construction of office facilities and installation of office safes. MUSCCO is reluctant to give institutional development loans for the employment of salaried personnel.

3.4.3 Objective: Society promotion via the training of society leaders/managers in design and implementation of local savings and membership campaign; development of a national advertising program and a joint MUSCCO/GOM public education program; seminars and meetings with employee organizations, government and business leaders; and

continued coordination with traditional credit union movement support organizations, including the rural missions.

Target completion date: Not specified in project document.

Projected completion date: End of project.

Specific achievements: Limited promotional efforts among and between employee groups have met with some success. For example, employees of Limbe Timbers who organized Chigwilizano Credit Union "got the idea" from members of the Malawi Railways Credit Union. The employees of Lever Bros. Ltd. have recently expressed interest, and the idea of an employee credit union has been broached at MTIT.

MUSCCO is making a continual effort to coordinate society promotion with the church-based credit union movement in the North.

Comments: In attempting to train society leaders/managers in savings and membership promotion, in 1982 and 1983, using calendars, MUSCCO met with failure. From this experience it was learned that promotional campaigns must include the credit unions in all stages, especially the formative ones. Credit union officials must be involved in the design of such programs since they probably know best what will attract new members. A national advertising

program is not envisaged at this time because MUSCCO management wishes to "consolidate" and upgrade the existing 39 credit unions, rather than encourage the potential response that might be expected from such a program. Similarly, nothing has been done on the objective of a joint MUSCCO/GOM public education program: it is considered unrealistic at this time.

There is some feeling that the promotion of credit unions among government (and even parastatal) employees should start with the staff of MTIT because credit unions fall under its aegis. According to this reasoning, if MTIT were to organize first, other ministries/parastatals would be more likely to follow. A successful credit union for employees of one or several of the larger parastatal organizations might lead to the organization of other such credit unions.

3.4.4 Objective: Intermediate, end-of-project and post-project annual growth rate of 30 percent.

Target completion dates: September 30, 1983
September 30, 1985
Beyond September 30, 1985.

Comments: Totally unreasonable objective for credit unions. The project was effectively one year late in starting. (See Section 4, Financial Self-Sufficiency.)

3.5 Inputs for society, MUSCCO, and MTIT to provide

- MUSCCO budget support to finance technical assistance activities for member societies and MTIT's Co-operative Section.

- Seed capital and commodities assistance for MUSCCO's institutional development loan program.

- Technical assistance to develop improved society management and auditing systems, provide training, and implement promotion strategies.

- Government-sponsored society auditing and loan collection enforcement.

MUSCCO's budget support for technical assistance to both member credit unions and to MTIT's Co-operative Section was adequately specified; approximately \$12,700 was budgeted for auditing training. An auditing workshop was to be organized, and, although this has not been accomplished, MUSCCO is hopeful that early progress can be made on this activity. (See also MUSCCO and MTIT, Section 5.)

Seed capital and commodities assistance for the institutional development loan program were adequately set forth. The specific inputs of MUSCCO technical assistance for training, for improved credit union management and auditing systems, and promotion strategies, however, were not clearly stated.

For example, specific ACOSCA training and subsequent regional/local training was not specified topically or sequentially. The desired results (outputs) were specified in detail, and perhaps the authors of the project document felt this to be sufficient.

Section 4

FINANCIAL SELF-SUFFICIENCY

4.1 End-of-project outputs:

- 4.1.1 MUSCCO 35 percent self-sufficient and its earned income increased to KW 21,000.
- 4.1.2 Paid-in MUSCCO shares of KW 67,700, total central fund of KW 107,700.
- 4.1.3 MUSCCO loans outstanding of KW 56,000.
- 4.1.4 Second MUSCCO five-year development plan prepared and required external resources committed.
- 4.1.5 Movement growth trends established indicating achievement of financial self-sufficiency by MUSCCO within a reasonable period of time.

4.1.1, 4.1.2, 4.1.3 Self-sufficiency goals

The objective of MUSCCO's covering 35 percent of its operating costs by year end 1985 is unattainable, given the slow growth of the societies as compared with MUSCCO's projected expenses. A detailed analysis by Price Waterhouse and Company indicates that if MUSCCO can cover 18 percent of its operating costs by end-of-project, it will be doing very well. This percentage will be even lower if USAID/Malawi and MUSCCO adopt our recommendations for staffing, despite increased logistical support and technical assistance. More support and more time will be required to build the institutions--the credit unions and MUSCCO--into a

self-sufficient system, even if the lending base is increased (Appendix VI).

Table 2 on page 9 depicts the progress that has been made toward MUSCCO's self-sufficiency and goals. Since no loans have been disbursed, there has been zero progress on end-of-project MUSCCO lending goals, but as previously noted, some loans amounting to MK 28,000 are in the pipeline.

4.1.4 Second MUSCCO five-year plan

To date, no five-year plans have been prepared. In early 1982 an incomplete work plan for 1982 was prepared. In 1983, a complete work plan for 1984 was prepared. Yearly and multi-year work plans are a necessity for any organization if it is going to plan rationally for its future and exercise control over its operations.

4.1.5 Movement growth trends

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.

Objective: MUSCCO to expand its development finance operations in order to reach financial self-sufficiency within a reasonable period of time.

By 1985, MUSCCO's revenues should cover approximately 35 percent of its operating costs.

Capitalization:

5% of each society's total savings
5% of each central finance loan granted societies
Purchase of MUSCCO shares in the amount of each society's statutory reserve.

Central Finance:

First operations limited to Institutional Development Loans and well-secured liquidity support advances to member societies
Pilot agricultural production and small business development credit program started.

Revenues:

Spread between 9% on loans and deposits-- and 5% dividends paid on society shares
Annual MUSCCO dues of societies--1% of previous year end member savings balances
ACOSCA dues
Stationery, office equipment and other supplies sold to societies--20% mark-up
Minimum seminar tuition fees
Risk management commissions of 6% earned by MUSCCO on premiums paid to MUSCCO
Fees for other services.

Target completion date: September 30, 1985

Capitalization: The 5% of each credit union's total savings for purchase of Central Finance shares takes priority over the required payment of 5% of each Central Finance loan granted. This second requirement may be waived if the credit union has more than 5% share savings in Central Finance. The third requirement is purchase of MUSCCO shares in the amount of each credit union's statutory reserve. This objective

is felt to be unrealistic. In MUSCCO's opinion, 25% of statutory reserves by 1985 is a more realistic objective.

The statutory reserve, or fraction thereof would count toward the lending base. However, MUSCCO maintains that the principle is to improve the credit union's reserve position, rather than to expand credit union indebtedness to Central Finance based on reserves.

Central Finance: Very few institutional development loans were included in the first Central Finance loans approved (but not disbursed). Most loans to date have been for relending purposes, small in amount, and at least one-third secured by shares.

Only as credit union and MUSCCO experience with Central Finance is gained, will pilot agricultural production and small business development loans be envisaged. No loans in these two categories have been made to date.

Revenues: The policy of charging 9% interest on loans and paying 5% dividends on credit union shares (plus a variable interest rate on deposits) in Central Finance was approved on January 23, 1983.

Annual MUSCCO dues were approved on August 13, 1983, at 1/2% of previous year-end member savings balances for the first year of Central Finance operation, and 1% thereafter. ACOSCA dues are to be included in the 1%.

Stationery, office equipment, etc. are being sold at a 20% mark-up; however, due to collection problems, there have been no credit sales of stationery since April, 1983.

Tuition seminar fees were raised from 5 to 10 Kwacha per participant, and MUSCCO is considering raising the fee to 15 Kwacha. The earlier increase was accepted by the credit unions with no complaint.

Risk management commissions of 6% are being earned by MUSCCO on the premiums paid by member credit unions.

MUSCCO is considering the instituting of a nominal auditing fee to be charged member credit unions.

The project was overly optimistic in terms of attaining an expected target of financial self-sufficiency. The targeted objectives for share and loan activity were insufficient, even had they been reached, to help MUSCCO generate the required income. The real potential of the credit unions and MUSCCO will be realized only when more Malawians are convinced of the safety of their money, the stability of the institutions, and the advantages to be gained from participating in them. Given time the credit unions can overcome their management and financial weaknesses. MUSCCO can help with this to a considerable extent and set the stage for the general expansion of the credit union activities that are essential to reaching the goal of self-sufficiency.

4.2 Required inputs:

Dues, interest, loan and fee payments to MUSCCO from member societies.

Budget support to finance MUSCCO's growth programs, including society organization and membership and savings promotion.

Capitalization of MUSCCO central fund by member finance operations, prepare feasibility analyses and develop pilot projects.

Government of Malawi cooperation in developing appropriate financial market policies, mobilizing capital resources, and coordinating complementary agriculture and small business development programs.

The various revenue items from member credit unions to MUSCCO and the capitalization of the Central Finance facility are spelled out in detail in the project document. Budget support for MUSCCO's growth program (society organization, membership and savings promotion) could have been stated more specifically.

The inputs required for technical assistance to help strengthen MUSCCO Central Finance operations, prepare feasibility analyses and develop pilot projects were not clearly specified. The GOM's co-operative role ". . . in developing appropriate financial market policies, mobilizing capital resources and coordinating complementary agriculture and small business development programs" was not specified at all.

Comments: The inputs called for by the project paper were, in general, correctly identified and planned in appropriate quantities.

There has been an initial delay in providing the agreed-upon technical assistance. Except for this delay, the services provided have been of exceptionally high quality.

A well-conceived, written sequenced management plan for the project would have forced the adequate specification of all inputs, especially the non-AID inputs which have been important to the project. Such a plan would have allowed MUSCCO to track progress accurately, evaluate progress, and take early action when one or more elements appeared to be "going off track."

Section 5

EVOLUTION OF MUSCCO

5.1 Development trends and major problems at mid-term: societies and MUSCCO

MUSCCO staff, some of whom have benefitted from ACOSCA workshops, are continuing to search for ways of transferring their experiences into training programs that will benefit member credit unions and study groups. They have reinforced MUSCCO's bookkeeping courses with field supervision and auditing. A next step would be to provide leadership, advice, and locally produced materials that could be used in member education programs.

Among the suggestions that seem feasible for strengthening MUSCCO's training capabilities are: consultation with a credit union training specialist; activation of a task force composed of volunteers and staff to look into the types of materials and equipment needed; and the availability of local educational resources for adult education. It may not be too early to consider the establishment of a new training division (possible staffing needs should be determined during the next evaluation). There is also the possibility of introducing a new educational and training tool--a monthly/quarterly bulletin designed to help stimulate and exchange successful credit union operating experience.

While Peace Corps volunteers could be helpful and should be utilized if available, the responsibility for a continuing training and education program should become an integral part of MUSCCO's operation.

Since not all credit unions have the same management capability and will grow at different rates, one means of inducing their growth and development would be to establish criteria for evaluating their individual capabilities and linking these evaluations to the availability of credit from Central Finance.

Evaluations of this type are conducted in the examination and supervision programs of United States credit unions. Information and consultation about this should be available through CUNA and its affiliated association of credit union supervisors.

Although overall the credit unions remain relatively weak and their performance is spotty, the financial statements they have filed with MUSCCO show a marked ability to utilize their total resources for loans to their members. As Central Finance loans become available, these loans should provide incentives for credit unions to meet the evaluation criteria.

Quantification of the effective loan demand in the credit unions is central to expanding the loan portfolio.

Lack of society statistics on their potential membership prevents an informed opinion about the untapped potential for membership, savings, and lending within the existing societies, but our interviews convince us that the potential is indeed significant in every respect. Noting the information developed in our field survey, as well as in the AID private sector and economic development paper (Special Study No. 11), we conclude that the total credit union membership of 11,000 is probably less than 20 percent of the potential membership of the existing credit unions.

One way to help quantify the effective loan demand would be for MUSCCO to undertake a loan development survey which would establish more precisely the amounts and types of loans that could be effectively granted to existing and potential credit union members. This survey would provide an opportunity--and incentives--for MUSCCO staff and especially the field force to use the help of volunteers drawn from the leadership of the movement. These volunteers could be members of the MUSCCO Board of Directors and committees, chapter representatives, and society officials. They would be provided with travel and subsistence funds but limited to small geographic areas within the credit unions' present fields of membership. Working from guidelines outlining the objectives of the project and the methodology for gathering the information needed, and using their own

initiative, the survey teams of field officers and volunteers would begin to collect information on the potential loan demand. They would identify resources in the community for information and advice to members seeking agricultural and small business loans.

The project could be designed for a three-four month campaign, followed by continuous feedback as part of the ongoing field services program.

5.2 Preparing for the next phase of MUSCCO's development

At mid-term of the project, we believe that MUSCCO is at the critical juncture where with three years more effort, and considerable expansion of its activities, its funding and its staff could accelerate and improve the likelihood of its success. An additional \$300,000 for central finance and capital funding, and \$249,705 for technical and logistical support would be needed.

However, prior to this expansion MUSCCO needs to take a new look at its organization structure and work plans, in order to prepare for managerial, staff assignment and programmatic changes that should be made. Auditing and supervisory work plus the aforesaid added field activities--training, loan survey, collection--will require, in stages, more field staff and a Field Services Supervisor, preferably someone

promoted from the ranks, to direct the entire field services program. The new Field Services Supervisor¹ should be directly responsible to the General Manager.

MUSCCO should consider adding the duties of a Central Finance officer¹ to the responsibilities of the present Assistant General Manager who is uniquely qualified for this important job as a seasoned MUSCCO technician and associate of the General Manager.

Provision of a Management Financial and Planning Specialist² is recommended for at least 18 months, devoting his time mainly to developing a management planning and control system, the field services program, the training program, and the Central Finance facility, or to special assignments on these activities. He could also serve as Comptroller.

5.3 Additional inputs and level of assistance needed for project completion:

Central Finance and Capital Funding	\$300,000
Technical and Logistical Support to include:	\$249,705

Seven newly funded positions:

- One Field Services Supervisor
- One Management and Financial Planning Specialist (18 months only)
- Four Assistant Regional Field Officers (to be phased in during 1984)
- One secretary at headquarters

¹Typical job descriptions are available through WOCCU/ACOSCA/CUNA.

²See Appendix VII for description of duties that could be assigned to this specialist.

Funds for transportation and subsistence expenses of volunteers participating in loan development research and promotion surveys.

Consulting services (management planning, central finance, and credit union training).

(See Tables 3, 4 and 5)

TABLE 3					
<u>HYPOTHETICAL CENTRAL FINANCE OPERATIONS (\$) 1983-1986</u>					
		<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Original AID Funding	50,000	50,000			
Proposed Additional AID Funding	300,000		50,000	100,000	150,000
Rollover			87,500	184,375	346,095
		-----	-----	-----	-----
TOTAL Funds Available		50,000	137,500	284,375	496,095
Less Delinquency - 10%		<u>5,000</u>	<u>13,750</u>	<u>28,438</u>	<u>49,610</u>
Net Funds Available		<u>45,000</u>	<u>123,750</u>	<u>255,937</u>	<u>446,485</u>

TABLE 4

PROJECTED MUSCCO OPERATING EXPENSES (\$) ASSUMING INCREASED STAFF (1984-1986)

Expense Categories	1984	1985	1986	Total
Total expenses per MUSCCO without increased staff (a)	67,945	70,820	73,650	212,415
<u>Incremental Personnel (a):</u>				
1. Management and Financial Planning Specialist (b)	30,000	16,500	-	46,500
2. Field Services Supervisor (c)	2,300	2,530	2,785	7,615
3. Four Assistant Field Officers (d)	1,945	5,250	7,300	14,495
4. Secretary	720	790	870	2,380
5. Consultants (e):				
Management Planning-30 days at \$400/day	12,000	-	-	12,000
Central Finance-30 days at \$400/day	12,000	-	-	12,000
Credit union training-30 days at \$400/day	-	12,000	-	12,000
6. Fringe Benefits - expatriate at 23% of salary	6,900	3,795		10,695
7. Fringe Benefits - local staff at 14% of salary	695	1,200	1,535	3,430
8. Housing allowance - expatriate	11,520	5,760	-	17,280
9. School allowance - expatriate	5,000	2,500	-	7,500
10. Housing allowance - local staff				
Professional staff (50% of salary)	2,125	3,890	5,045	11,060
Support staff (40% of salary)	290	315	350	955
Total Incremental Personnel	85,495	54,530	17,885	157,910

(a) \$ figures adjusted to reflect August 1983 devaluation of the MK.

(b) Specialist's tour of duty from 1/1/84-30/6/85 assumes 10% annual increase in salary

(c) Assumes 5% annual increase in salary and 5% annual merit increase

(d) Two Assistant Field Officers recruited by 1/1/84; two by 30/6/84; after one year's training promotion to Field Officer

(e) Consultants' fees at fully burdened rate

TABLE 4 (Continued)

Expense Categories	1984	1985	1986	Total
<u>Incremental Travel and Transportation:</u>				
Consultants - 3RT; Wash/LL at \$3,000/RT	6,000	3,000	-	9,000
Consultants - per diem 2 x 30 days at \$70/day (1984) and 1 x 30 days at \$77/day	4,200	2,310	-	6,510
Vehicles (1 4WD automobile, 4 motorcycles) Insurance	1,025	1,025	1,025	3,075
Taxes	110	110	110	330
Allowances, Fares, Lodging	5,760	6,335	6,970	19,065
Total Incremental Travel and Transport	17,095	12,780	8,105	37,980
<u>Incremental Office Costs</u>				
Rental	3,060	3,360	3,720	10,140
Occupancy	770	845	930	2,545
General Administration	480	530	580	1,590
Total Incremental Office Costs	4,310	4,735	5,230	14,275
Incremental Miscellaneous Expenses	480	530	580	1,590
<u>Incremental Depreciation (non cash)</u>				
Vehicles				
Automobile (a)	2,625	2,625	2,625	7,875
Motorcycles (b)	1,400	1,400	1,400	4,200
Furniture and Equipment (c)	400	400	400	1,200
Total Incremental Depreciation	4,425	4,425	4,425	13,275

(a) Assumes 30% salvage value and straight line depreciation over 4 years.

(b) Assumes 30% salvage value and straight line depreciation over 3 years.

(c) Assumes 20% salvage value and straight line depreciation over 8 years.

TABLE 4 (continued)				
Expense Categories	1984	1985	1986	Total
<u>Incremental Capital/Commodity Expenditures</u>				
One 4WD vehicle, 4 motorcycles, furniture and office equipment	24,675	-	-	24,675
TOTAL EXPENSES	204,425	147,820	109,875	462,120

Note: Loan development survey activities could entail some small additional expenses for subsistence and travel of volunteers, which should not exceed one percent of the total expenses.

TABLE 5
 PROJECTED MUSCCO OPERATING EXPENSES (\$)
 ASSUMING INCREASED STAFF - RECAP
 (1984-1986)

Expense Categories	1984	1985	1986	Total
Total Expenses per MUSCCO without increased staff	67,945	70,820	73,650	212,414
Incremental Personnel	85,495	54,530	17,885	157,910
Incremental Travel and Transportation	17,095	12,780	8,105	37,980
Incremental Office Costs	4,310	4,735	5,230	14,275
Incremental Miscellaneous	480	530	580	1,590
Incremental Depreciation	4,425	4,425	4,425	13,275
Incremental Capital/Commodity Expenditures	24,675	-	-	24,675
Total Incremental Expenses	136,480	77,000	36,225	249,705
TOTAL EXPENSES	204,425	147,820	109,875	462,120

5.4 MUSCCO and MTIT

Section 4.(b) of MUSCCO's bye-laws describes the following objective: "To develop and maintain the best possible public relations with the general public, the Government, the Private Business Sector, Trade Union, Voluntary Organisations and National and International Co-operative Organisations."

In establishing an image for itself and its member societies, MUSCCO must project a unique identity. It should attempt to work with, but not be confused with, other Malawian co-operatives, or with labor unions, or farmers' groups, or agricultural extension services.

Bye-Law 4.(c) states the following objective: "To liaise with the Department of Co-operatives and endeavour to secure constructive interpretation of the Act, the Rules and these Bye-Laws."

As an evolving specialized co-operative, operating under MTIT supervision, MUSCCO must walk a fine line toward its liaison objective. The supportive stance of Government is helping to set the precedent for a mutually constructive relationship.

The fact remains, however, that MUSCCO is a co-operative, and as such is under the supervision of MTIT. Future

problems are likely to arise in the interpretation and application of the Co-operative Societies Act, the Rules, and the credit union bye-laws which will test MUSCCO's ability to liaise effectively. The MUSCCO/GOM relationship is further complicated in this regard by the fact that GOM has two representatives on MUSCCO's Board.

A good starting point for more concentrated attention to this problem would be to use the earmarked AID funding already available for a collaborative effort involving MTIT and MUSCCO in a series of workshops on management and fiscal auditing. The discussions that might be anticipated in such workshops could help the participants to arrive at a consensus on the parameters of MUSCCO's obligations to its membership in relation to the supervision it receives from MTIT.

The GOM/MUSCCO relationship is being tested in a public relations problem involving MUSCCO and by implication, the Government of Malawi. A noted credit union leader in the Northern Region has been actively, and even vehemently, critical of MUSCCO operations. The MUSCCO Board of Directors' response has been constructive but thus far ineffective in resolving the matter. This is in a sense a "family matter" but it could become a well-publicized issue to the unjustifiable detriment of MUSCCO. Considering the entire situation, we think that

it deserves the personal attention of the Registrar and would recommend that he take appropriate action.

This may be the time to re-think the role of chapters, the geographical divisions of MUSCCO from which Board members are elected to represent member credit unions. Presently the chapters serve only as a vehicle for nominating caucuses at the MUSCCO General Meeting. But if it were possible to encourage training, educational, and promotional activity in their respective geographical areas, as is the practice in many leagues, the chapters might become active arms of MUSCCO where this kind of outreach is needed most.

Another Board/management study might examine the possibility of a fidelity bonding service to protect both the credit unions and MUSCCO from losses due to embezzlement and misappropriation of funds. The hoped-for ACOSCA bonding service, as envisaged in the project document, has not materialized and is unlikely to do so in the foreseeable future. Perhaps Malawian agencies or companies they represent would be interested in offering this kind of insurance. Such protection, if adequately publicized, would engender confidence and participation in both credit unions and MUSCCO.

Section 6

SOCIAL IMPACT

6.1 Participation of women in credit union activities

During the team's visits to societies and study groups, special attention was given to the participation of women. Women were present at each meeting, but in small proportion to total attendance, representing the proportion of their membership to total membership. Although the small group, some with babies in arms, sat together to one side or in the rear, the remarks of their spokeswoman (apparently selected by the women themselves) were listened to respectfully by the men present, and the women were encouraged to elaborate on their ideas of present and possible benefits of credit union participation. Loans for school fees, farm inputs, purchase of beans/bananas to sell in the market, and the possibilities of larger loans to open small businesses (grocery stores) were discussed.

All the credit unions visited had at least one woman on their Board of Directors; several had elected them as Secretary of the Board; one had been elected Credit Committee Chairman. A woman nominated to the Board of Directors of an employee credit union received the highest number of votes cast and was elected Secretary.

The former treasurer of the MUSCCO Board of Directors was a woman.

While many wives were represented in the general membership as family members, a significant number of women were members in their own right and, accordingly, had been granted loans. In one society of 275 members, 20 were women and they had 14 loans outstanding. At one study group meeting two women came forward with money in hand to buy shares. In one small rural credit union, 20 percent of the society's total savings were in the shares of the one woman on the Board.

We were told that every seminar, regional and local, has a small number of women in attendance, and several assistant treasurers were trained in this manner.

The response to women Peace Corps volunteers has also been positive and we believe there is a favorable climate within the credit union movement to actively involve women as elected officials, managers, and field officers.

6.2 Nation building

Members of credit unions and non-members surrounding them are affected by credit union activities not only in the savings and loan features of the credit union plan itself but in the many spin-off benefits that accrue. In addition

to stimulating economic development as members save and borrow to expand their income-producing activities, many social benefits also are forthcoming, such as better education for children and generally improved living standards.

More specifically, officials, for instance, learn personal money management and budgeting skills which are carried over into their daily farming and small business activities. The bookkeeping and accounting skills are also transferable to farm and small business management.

Many of the society members who have been trained in bookkeeping and accounting will undoubtedly use these skills, not only personally but also to move to better paying jobs. With this turn-over, many Malawians will be trained in the use of this important tool for living and working in a money-economy society.

The experiences of sublimating personal needs and naturally individualistic tendencies to the group goals will enhance the country's group self-help efforts. The credit union experience of democracy in action will have a definite carry-over into broadening the Malawians' understanding and acceptance of citizenship responsibilities.

As more and more women participate actively as credit union employees as well as members and officials, the

total economic development of Malawian women will be enhanced.

All of these benefits from credit union activities will depend on the speed at which the Malawi credit union movement matures.

Section 7

LESSONS LEARNED AND RECOMMENDATIONS

Credit unions are slowly taking root in Malawi and MUSCCO is becoming a reality (see MUSCCO--Credit Union Statistics --Appendix VIII). As such, MUSCCO has considerable potential for expanding rural credit and increasing the income earned by rural members. Obviously MUSCCO is viewed as a convenient vehicle for substantial donor assistance to the rural sector. This potential has also raised expectations for additional finance resources amongst MUSCCO officials, officials of member credit unions and individual members. All donors should realize that the rate at which Malawi's credit unions can expand depends on their own capacity to generate local savings. Failure to respect that limitation on growth will jeopardize the long term viability of the entire system.

In order to attain the objectives set for the Central Finance program, concurrent attention must be given to the institutional development objectives. Management resources could be overtaxed, however, if not judiciously used for concurrent Central Finance and institutional requirements. The novelty of this experiment in

institutional and financial development is almost certain to attract a continuing stream of observers from within and without the credit union and development communities to further devour management and staff energies.

Finally, any complication in the AID funding mechanism, such as the involvement of additional contractors, has the potential for confusion and conflict that will ultimately be felt by MUSCCO. The multi-donor problem of ACOSCA, an AID-assisted pan-African credit union association, is a case in point.

Funding and staffing

We recommend that AID recognize the need to have a long-term commitment to the development of MUSCCO and its affiliated credit unions. However, assistance to MUSCCO must be flexible and respond to MUSCCO's own evolution. For the immediate future (three years), we recommend that additional capital resources be provided to MUSCCO. In addition, and equally important, we recommend additional AID resources for technical assistance and institutional support which will include additional staff and equipment for the three years 1984-1985-1986. Prior to this expansion

MUSCCO should review its present organization structure and work plan for possible improvements that could be made with the use of increased resources.

Loan development

We believe that there is a latent loan demand within the existing credit unions and that this loan demand will multiply as the movement expands. Needed are facts on the purposes, amounts, and collectability of loans now in the credit union portfolios and the purposes and quantification of the effective loan demand. Guidelines could be drawn from these facts to assist in the formulation of loan promotion, lending, and collection policies, and related educational programs.

We recommend that MUSCCO conduct a loan development survey as detailed in Section 5 of this report.

Importance of members' savings

Creating a credit union system involves combining efficient banking services with the involvement of a supportive membership that saves in order to get loans. One should not ignore the signals of success or failure that appear in the credit union members' savings efforts, no matter how small.

We recommend close monitoring of this indicator.

MUSCCO's co-operative identity

The fact that other co-operatives have failed in Malawi creates problems for the project and raises questions as to the reasons for the co-operative identity of credit unions and MUSCCO.

Among the reasons that could be advanced for maintaining the co-operative structure are their benefits from partnership with their sponsoring co-operatives and the economic advantages of cost-saving volunteer leadership activity.

We recommend that AID and MTIT continue to advocate the co-operative approach.

Employee-based credit unions

There appear to be some indications that the difficulties of upgrading the existing societies are causing MUSCCO to de-emphasize the organizing program. The problem is that the momentum that has been building up since 1979 to create a strong movement could falter or halt, without the infusion of new societies, new leadership, and new members. Growth is essential to the viability of MUSCCO.

We recommend that MUSCCO actively encourage the organization of employee-based credit unions which could mobilize savings on which to leverage AID funding, and equally, if not more important, generate more rural development loans.

Rural development lending

Since the urban outreach might be construed as a departure from the project rural development purpose, it might be noted that one phenomenon of credit union development in African countries is the tendency of worker-based societies to become rural development institutions. This arises from the fact that most workers in the cities also maintain a farm in their home areas and help to support their families there.

A workable agreement between AID and MUSCCO on the parameters of rural development lending will become more important as the Central Finance portfolio grows.

We recommend early attention to this task.

Role of government

The Ministry of Trade, Industry and Tourism has retained control over the entire credit union movement while leaving much of the responsibility for supervision and auditing of individual credit unions to MUSCCO. The attitude of Government could be described as one of paternal interest.

Creation of a self-supporting credit union system in Malawi depends on preserving this harmonious condition, with sensitivity to the needs and capacities of the Government of Malawi, MUSCCO, the credit unions, and members, as each learns to play its role.

MTIT staff could use credit union education and training now, to prepare themselves for overseeing an increasingly complex and growing credit union financial system.

We recommend that MTIT, with MUSCCO's assistance, begin to organize a series of short "refresher" courses in credit union auditing. The aim should be to draw up standardized auditing guides, reflecting the specialized experience of Government, MUSCCO, and interested certified accountants.

Women in credit unions

Traditionally in Malawi women are treated with deep respect, and are expected to remain at home. Nevertheless, women are beginning gradually to participate in credit union activities, probably reflecting the rate at which women are entering the economy in the country as a whole.

When they participate they seem to be well accepted as both fully active savers and borrowers and also as elected leaders.

Of the women who felt comfortable enough to speak up at meetings we attended, all agreed they had no other access to credit than the credit union.

We recommend that field staff continue to encourage credit unions to send women to training sessions so that they can develop competence and confidence. Women officers of credit unions should be invited to lead discussions at membership meetings and training programs. A female field assistant should be considered as part of any expanded field services staff.

MUSCCO's public relations problem

As with any people's organization it is inevitable that there will be public relations problems involving disputes among the leaders. There is a particularly vexing problem in the Northern Region. Many of the credit unions there owe much of their progress to the efforts and financial assistance of an expatriate missionary who has become a vehement critic of MUSCCO's management and policies, and, by implication, its Board of Directors. The Board members and staff of MUSCCO are struggling to cope with his criticism of MUSCCO's operations and Central Finance policies. Governmental mediation at a high level might help to provide a constructive solution to this problem.

We recommend that the Registrar of Co-operatives, as the senior government official for co-operatives, mediate this controversy.

A P P E N D I C E S

APPENDIX I

CREDIT UNIONS AND STUDY CLUBS VISITED BY EVALUATION TEAM

Southern Region:

Chinzama Credit Union
Malawi Railways Credit Union
Thekerani Credit Union

Central Region:

Likuni Credit Union
Madisi Credit Union
Chitedze Study Club
Nkhota Rural Growth Area Club

Northern Region:

Kaning'ina Credit Union
Euthini Credit Union
Lunyina Credit Union

APPENDIX II

PERSONS INTERVIEWED BY EVALUATION TEAM

Mr. F.S. Munthali, Undersecretary, Ministry of Trade,
Industry and Tourism

Mr. M. Njolwa, Principal Economist, Ministry of Trade,
Industry and Tourism

Mr. K.K. Matupa, Co-operative Auditor, Ministry of Trade,
Industry and Tourism

Mr. M.J.K. Tsilizani, SEDOM, Ministry of Trade, Industry
and Tourism

Mr. J.R. Phiri, Office of the Secretary to the Treasury,
Ministry of Finance

Mr. H. Namarika, Undersecretary, Ministry of Health

Mr. G.B. Chirwa, Chief Projects Officer, Ministry of
Agriculture

Mr. T.Z. Madise, Agricultural Credit Officer, Ministry of
Agriculture

Mr. R.T. Ghambi, Regional Planner, Office of President,
Rural Growth Centres

Mr. F.D. Msewa, General Manager, MUSCCO

Mr. John N. Bilderbeck, Management Advisor, MUSCCO

Mr. M.F. Kanunkha, Central Regional Field Officer, MUSCCO

Mr. A.N.S. Mphonda, Southern Regional Field Officer, MUSCCO

Dr. Anna Marie Hayes, Peace Corps Director, Malawi

Mr. Todd T. Borden, Northern Region Training Officer, MUSCCO
(Peace Corps)

Ms. Jamie Raile, Southern Regional Training Officer, MUSCCO
(Peace Corps)

Rev. Fr. R. Roy, w.f.

APPENDIX III

MUSCCO Project Evaluation - Draft Terms of Reference

1. The Evaluation should use as its starting point the Project Documents which have been approved by all the parties involved:
 - Project Document, duplicated in its key provisions by the AID Grant Agreement;
 - Sub-Agreement with the Government of Malawi.

The project Document and the AID Grant Agreement state purposes for the project, list inputs to be provided by all the parties involved, specify objectives in the areas of MUSCCO Development, Society Development, and Self-Sufficiency; specify end-of-project outputs (results) in each of these areas; and specify a project design.

The Sub-Agreement formalizes the duties and responsibilities of the Contractor (CUNA Global Projects Office, now World Council of Credit Unions) and provides certain specific mechanisms.

2. The central purpose of this Evaluation should be to assist MUSCCO in measuring and evaluating its operation during the first two years of the Project, and to enable all interested parties to assess whether the direction MUSCCO has taken is consistent with the basic purposes and goals of the project, and Cooperative Development in Malawi.
3. The Evaluation Team should formulate specific questions in the following general areas, addressing the concerns listed:

- a. Progress made in achieving project objectives

The questions formulated should assess:

- What are the specific achievements of MUSCCO relating to each of the Project objectives;
- Whether these achievements represent adequate progress toward meeting the desired end-of-project results;
- Whether, given the progress achieved to date, the achievements represent fundamental progress in the direction of the overall goals and purposes of MUSCCO Project;

- Whether there have been other achievements by MUSCCO not directly related to a Project objective;
- What specific benefits or advantages Credit Union members have received as a result of the MUSCCO Project;
- To what extent the institutional progress of MUSCCO and its member Credit Unions tends in the direction of having a positive future impact on the Credit Union members;
- Whether there have been any negative impacts on MUSCCO or Credit Union members attributable to or resulting from this project.

b. Positive and Negative factors related to MUSCCO progress

The question formulated in this area should assess:

- Whether the Project purposes and goals are well stated in the Project Documents;
- Whether all the organizations and agencies involved in the MUSCCO Project fully understand these purposes and goals, and the implications which follow from them; and whether each party is fully committed to the achievement of the goals;
- Whether the MUSCCO Project design has proved to be adequate to the purposes and goals of the project;
- Whether all the necessary inputs to be provided by each organisation or agency involved in the MUSCCO Project were adequately specified;
- Whether the provision of project funds, equipment and supplies was timely and adequate according to the needs of the project;
- Whether adequate technical and organizational support was given to MUSCCO and the Project by all the organizations and agencies involved;



- Whether there were any unanticipated events, conditions or circumstances which influenced the progress of the MUSCCO Project, either positively or negatively.

c. Possible modifications in project design and/or implementation strategies to improve the operation of the MUSCCO Project

The questions formulated in this area should assess:

- Whether there are additional goals or purposes implicit in the project which should be specified;
 - Whether the end-of-project outputs (expected results) are attainable given the specific situation in Malawi, and given the progress to date registered by MUSCCO;
 - What modifications in the end-of-project outcomes might be more realistic;
 - What other modifications in project design or implementation strategies could be instituted to improve the operation of the MUSCCO Project;
 - How a central Finance Project can be implemented.
4. The Evaluation Team should prepare a Summary Report containing the following sections:
- a. Overview of project and introduction;
 - b. Review of Evaluation purpose and methodology;
 - c. Review of principal findings of the evaluation;
 - d. Specific recommendations for the participants in the MUSCCO Project;
 - e. General assessment of MUSCCO Project, and of the possibilities for follow-up or second phase project;
 - f. Review of the methods of remittance of funds by WOCCU and methods of disbursement by MUSCCO.

APPENDIX IV

Management Planning and Control

One strong conclusion which can be drawn from the evaluation of MUSCCO is the definite need for a Management Planning and Control System. The framework we are suggesting has three main elements: Strategic Planning, Management Control and Operational Control. It also has two sub-elements: Information Handling and Financial Accounting. First, some definitions are in order because words like systems, strategic, control, etc. often mean different things to different people:

System: The structure; what it is; the means by which a process occurs; the facilitator of a process.

Process: How something functions; how a system functions.

An analogy is useful to make the distinction between a system and a process:

Anatomy: The body's structure; what it is.

Example: The digestive system (a structure) facilitates the process (how the digestive system functions) of digestion.

Example: MUSCCO's Central Finance system should facilitate the process of the credit union making application, the loan officer appraising the application, the loan committee approving the application, the loan officer following the loan throughout its life, having a role in collections and if necessary instituting work-out procedures if the borrowing credit union runs into serious re-payment difficulties.

Strategic Planning: the process of formulating long range strategic plans and policies that determine or change the character or direction of an organization. This process affects the objectives of the organization; the acquisition and disposition of major facilities and new business activities and entities; policies of all types including management and operations control, markets to serve the means (channels) of servicing them, the organization structure, sources of new permanent capital, etc. In short, strategic planning decisions affect the physical, financial and organizational framework within which operations are carried on.

Management Control: The process by which managers assure that the resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives. This process is carried on within the guidelines established by strategic planning. Objectives, facilities, organization and financial factors are largely accepted as givens.

An example of the difference between management control and strategic planning is in order:

The captain of a ship is involved in management control because his job is to take the ship to its destination as effectively and efficiently as possible. The planner who evolves a new concept of shipping or the analyst who works out new shipping routes are involved in strategic planning.

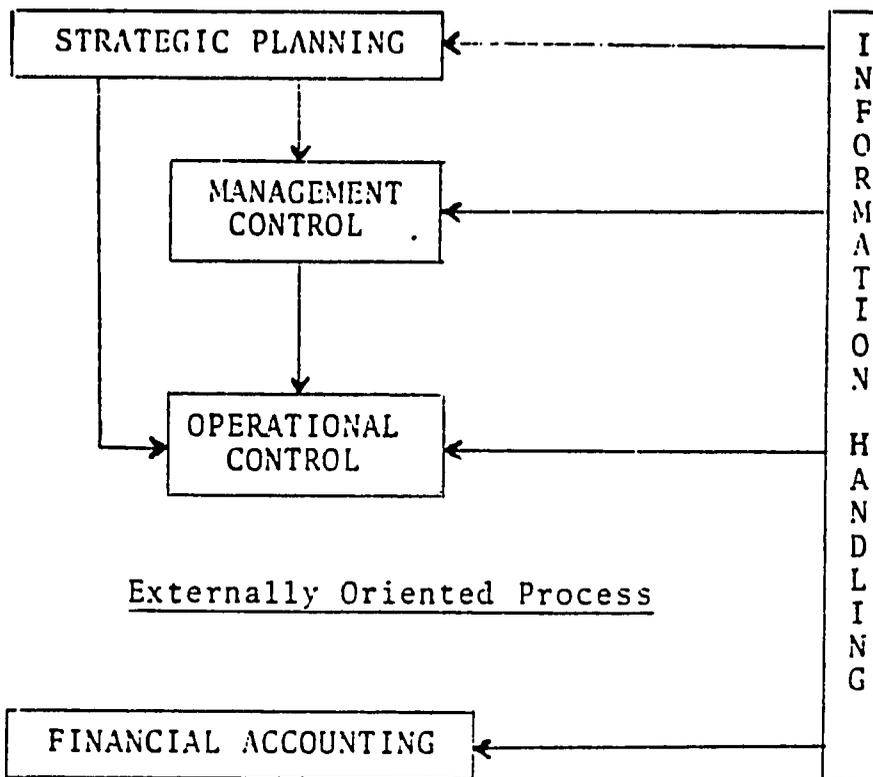
Operational Control: The process of assuring that specific tasks are carried out efficiently. Its focus is on individual tasks and transactions - managing and overseeing an individual loan, as opposed to the management of MUSCCO's various loan portfolios.

Information Handling: The process of collecting, manipulating and transmitting information, whatever its use is to be.

Financial Accounting: The process of reporting financial information about the organization to the outside world.

These five elements come together as follows:

Internally Oriented Processes



There are many differences between the three principal elements of a Management Planning and Control System. The following Tables present these differences by main characteristics of a planning and control system.

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DIFFERENCES BETWEEN STRATEGIC PLANNING, MANAGEMENT CONTROL AND OPERATIONAL CONTROL

<u>CHARACTERISTICS</u>	<u>STRATEGIC PLANNING</u>	<u>MANAGEMENT CONTROL</u>	<u>OPERATIONAL CONTROL</u>
Focus of plans	On one aspect at a time	On whole organization	On particular activity
Focus of activity	Both external and internal directed	Entire operation	Single task or transaction
Complexities	Many variables	Less complex	Least complex
Judgement	Relatively much; both subjective and objective decisions	Relatively much; subjective decisions	Relatively little; reliance on rules
Degree of structure	Unstructured and irregular; each problem different	Rhythmic; prescribed procedures	Highly structured; rational procedures
Nature of information	Tailor-made for the problem; more external and productive; less accurate	Integrated; more internal and historical; more accurate	Tailor-made for the operation; precise
Communication of information	Relatively simple	Relatively difficult	Relatively simple
Purpose of communication	Show expected results	Lead to desired results	Lead to desired results
<u>Persons primarily involved</u>	<u>Staff and top management</u>	<u>Line and top Management</u>	<u>Supervisors</u>
Mental activity	Creative; analytical	Administrative; pervasive	Follow instructions
Planning and control	Planning dominant, but some control	Both planning and control	Primarily control
Time horizon	Year, years	Weeks, months, quarters, year	Day to day; week to week; month to month
End result	Policies, precedent	Action within policies/precedents	Actions within policies/precedents for individual activities, tasks
Appraisal of the job done	Extremely difficult	Much less difficult	Relatively easy

The activities entailed in Strategic Planning, Management Control and Operational Control also differ. Following is a table showing the differences, with selected examples pertinent to MUSCCO;

EXAMPLES OF ACTIVITIES IN MUSCCO
INCLUDED IN MAJOR FRAMEWORK ELEMENTS

<u>STRATEGIC PLANNING</u>	<u>MANAGEMENT CONTROL</u>	<u>OPERATIONAL CONTROL</u>
Choosing growth objectives: (for example, MUSCCO decides to expand via promoting employee credit unions)	Formulating Budgets to meet objectives	Field officers visit and follow-up reports made on timely basis to MUSCCO Management
Planning the organization; Growth of the Central Finance Facility	Planning staff levels (the growth of the Central Finance facility will entail the expansion of MUSCCO staff to include a manager of Central Finance and three new field officers)	Controlling hiring
Setting financial policies (for example, certain uncollectible accounts will be removed from the loan portfolios and either written off or put into "collection only" accounts)	Work-out policies and procedures drawn up	Controlling credit extension to credit unions (within objectives of trying to collect loans in arrears, special "compromise" teams operate at periodic intervals - field officer and manager of Central Finance, for example.
Setting personnel performance policies	Measuring, appraising and improving management performance	Managing, appraising and improving workers' efficiency

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In the establishment of a management planning and control system, a systems specialist will, for example, help MUSCCO devise a planning and control system which will facilitate the management of the entire loaning process (from solicitation of borrowers to work-out procedures). He will suggest methods of collecting and analyzing the information needed to make sound decisions, as well as methods of communicating the decisions and results obtained to top management. He can suggest the kind of data for MUSCCO management to use in deciding on loan policy, but he cannot determine the policy itself. He cannot tell MUSCCO management what the decision on a problem loan should be. It is rather the well-designed system and its informational components which will help management make the right decision.

The advantages of a formal management planning and control system are:

Properly designed and acceptable by all personnel, it will help improve the quality of management at the top and middle levels, and it will ensure more comprehensive supervision of employees.

It provides management the means to evaluate chosen courses of action and to make desired or necessary changes.

It is directed toward the achievement of objectives from the smallest operating unit of MUSCCO to the top

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It is highly flexible in the strategic planning area and somewhat flexible in the management control area - thus allowing for adaptation to changing economic and business environment.

It provides management at all levels with an "early warning system", i.e., the means with which to identify problems before they actually occur.

It forces the rational sequencing of activities and allows for their timely evaluation and course corrections, if necessary.

It imposes the requirement of timely flows of information and timely decision making.

Its operation has explicit authorization and its structure is visible to all.

Everyone know what his duties are and the current status of his work. These duties and status are visible to his superiors at all times, and being visible, delays, errors, etc. will demand early correction.

It permits timely and accurate evaluation of employee performance.

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It is neutral in the sense that it is only a system, which must be adaptive to each situation and accepted by management, rather than a solution - handed down based on what works in developed countries.

NOTE: Much of the foregoing material was drawn from Robert N. Anthony, Planning and Control Systems: A Framework for Analysis, (Graduate School of Business Administration, Harvard University, Boston) 1981.

APPENDIX V

Review of the Methods of Remittance of Funds by WOCCU and Method of Disbursement by MUSCOO:

Introduction:

This section sets forth the various methods WOCCU has used to remit funds to MUSCOO over the life of the project to date. The information is presented so that everyone will understand the different payment modalities employed as well as the current, improved method of remitting funds.

Remittances:

- . To cover the initial financial needs of the project, WOCCU drew a certified bank check on a commercial bank in Washington, D.C. on January 24, 1981 payable to John Bilderbeck. Mr. Bilderbeck opened a "quasi-corporate" kwacha account at the Commercial Bank of Malawi (CBM) in Lilongwe in the name of John Bilderbeck/MUSCOO. Mr. Bilderbeck was unable to open a corporate account in Lilongwe at that time because he did not have the necessary corporate resolution from WOCCU (Madison, Wisconsin). The corporate account was finally opened in February 1982 after delays in designating signatories and other administrative problems.
- . From March to December 1981 wire transfer of funds was employed with long delays in receipt of monies (\$33,000 "lost" for six weeks; \$50,000 "lost" for three weeks.) The latter instance was due to Manufacturers Hanover Trust's (New York)* failure to telex the remittance advice to CBM.
- . MUSCOO subsequently (January 1982) dropped the wire transfer method in favor of an arrangement with CBM whereunder WOCCU deposited funds

*Manufacturers Hanover Trust was the correspondent bank agreed upon by WOCCU, CBM, and The First Wisconsin National Bank (WOCCU's bank).

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into Mr. Bilderbeck's personal credit union account in Washington, D.C. on which Mr. Bilderbeck would draw dollar checks for immediate credit to the WOCCU corporate account with CBM. Checks were drawn on this corporate account and deposited into the MUSCOO account at CBM.

Use of Mr. Bilderbeck's personal credit union account ceased in August 1983, at which date there was opened a corporate account in the name of WOCCU/Malawi at the First Wisconsin National Bank (Madison, Wisconsin). Mr. Bilderbeck is the designated signatory on this account. He draws dollar checks on this account for deposit at CIM into the WOCCU corporate kwacha account. Monthly checks are then drawn on the corporate kwacha account payable to the MUSCOO kwacha account at CBM.

Two modifications to the current system have been suggested by Mr. Bilderbeck, viz:

- that a copy of the MUSCOO telex requesting funds from WOCCU be sent to the registrar of co-operatives of the Ministry of Trade, Industry and Tourism (MTIT).
 - that WOCCU confirm by telex to MTIT that monies have been deposited into the WOCCU/Malawi corporate account in Madison.
 - that Mr. Bilderbeck confirm to MTIT that monies have been credited to WOCCU corporate kwacha account at CBM.
- . The foregoing will serve to clarify the fund transfer arrangement to all parties concerned, and the opening of WOCCU corporate accounts both in Madison and Lilongwe has regularized the transfer process.
- . The quarterly and monthly budgeting process works as follows:

- The quarterly budget (in kwacha) is submitted to the MUSCCO board of directors for review and modification.
- The board of directors approves the reviewed budget.
- The MTIT receives a copy of the approved budget.
- The budget is translated into dollars by project line item for submission to WOCCU/Madison.
- WOCCU/Madison deposits funds into the WOCCU/Malawi account.
- The monthly budget is prepared by the MUSCCO General Manager based on a breakout of the quarterly budget line items.
- After discussion with and approval by Mr. Bilderbeck, a kwacha check is drawn on the corporate kwacha account at CBM and deposited into the MUSCCO account at CBM.
- Copies of the monthly budget and deposit slip are sent to the MTIT.

Disbursements:

The following procedure is followed:

- . an invoice arrives at MUSCCO and is logged in by the bookkeeper;
- . vouchers are prepared on a weekly basis from the invoices received;
- . the General Manager and Treasurer review each voucher (with supporting documents-invoices) for authorization;
- . authorized vouchers are returned to the bookkeeper for checks to be prepared;
- . prepared checks go to the General Manager for his and the Treasurer's signatures. The chairman of the board of directors is the alternate signatory. He is located in Kasungu, about 80 miles from Lilongwe.

It is recommended that MUSCCO consider naming two "contingent" signatories located in Lilongwe in the event that either or both principal signatories are unable to sign checks by reasons of absence, illness, etc.

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The Assistant General Manager would be one logical candidate. These signatories would only be "activated" under specific circumstances to be determined by MUSCCO.

Recently, MUSCCO was advised by its bank that it should consider designating a representative of its auditing firm (yet to be selected) as a contingent signatory.

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APPENDIX VI

CREDIT UNION SYSTEM LOAN CAPACITY (How much money can the member credit unions absorb?)

The following two cases demonstrate the MUSCCO Central Finance loan capacity under two different policies. Case A represents the current policy of allowing member credit unions access to Central Finance for no more than three times five percent of their total member shares. Case B relaxes this restriction to allow a loan capacity of 25 percent of total member shares.

CREDIT UNION SYSTEM LOAN CAPACITY (MK)

Case A - Current Criteria
Total Loan Capacity = 3 x 5% of total shares

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Total Shares	544,000	598,000	658,000	724,000
Loan Capacity	81,600	89,700	98,700	108,600
Less net funds available	<u>45,000</u>	<u>123,750</u>	<u>255,937</u>	<u>446,485</u>
Unused loan capacity (funds availability)	36,600	(34,050)	(157,237)	(337,885)
Carryover from previous year		<u>36,600</u>	<u>2,550</u>	<u>154,687</u>
Cumulative unused loan capacity (funds availability)	<u>36,600</u>	<u>2,550</u>	<u>(154,687)</u>	<u>(492,572)</u>

CREDIT UNION SYSTEM LOAN CAPACITY (MK)

Case B - Changed Criteria

Total Loan Capacity = 25% of total shares

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Loan capacity	136,000	149,500	164,500	181,000
Less net funds available	<u>45,000</u>	<u>123,750</u>	<u>255,937</u>	<u>446,485</u>
Loans made	<u>45,000</u>	<u>123,750</u>	<u>164,500</u>	<u>181,000</u>
Unused loan capacity (funds availability)	91,000	25,750	(91,437)	(265,485)
Carryover from previous year		<u>91,000</u>	<u>116,750</u>	<u>25,313</u>
Cumulative unused loan capacity (funds availability)	<u>91,000</u>	<u>116,750</u>	<u>25,313</u>	<u>240,172</u>

Cases A and B: Assumptions

1. All loans of one year term
2. 1983 loans totalling 45,000 made at end of 1983; all other loans (1984, 1985, 1986) made at mid-year
3. Net funds available based on AID funding, and on rollover funds from 50% repayment every six months.

PROJECTED MUSCCO INCOME (MK)
1983 - 1986

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Total shares ¹	544,000	598,000	658,000	724,000
Share capitalization shares (5% of total shares)	12,000 ²	29,900	32,900	36,200
Loan capitalization shares (5% of loans granted when repaid)				
Case A	-0-	4,495	4,710	5,185
Case B	-0-	5,345	7,205	8,640
Total Shares				
Case A	12,000	34,395	37,610	41,385
Case B	12,000	35,245	40,105	44,840
<u>Income:</u>				
Central Finance Margin				
Case A	-0-	6,930	6,680	7,355
Case B	-0-	8,440	11,085	13,425
Dues ³	2,300	5,440	5,980	6,580
Risk Management	400	500	500	600
Stationery Margin	200	300	350	400
Equipment Sales Margin	200	200	200	200
Seminar Fees	230	460	690	790
Audit Fees	-	1,800	1,900	2,100
Other Income	100	150	200	250
Investment Income	-	2,295	3,465	3,810
Total Income				
Case A	<u>3,430</u>	<u>18,075</u>	<u>19,965</u>	<u>22,085</u>
Case B	<u>3,430</u>	<u>19,585</u>	<u>24,370</u>	<u>28,155</u>

¹Assumes yearly growth of 10%

²5% of total shares with the exception of 1983(start-up year)

³1983 - 0.5% of total shares as of end of previous calendar year; 1984-1986 - 1% of total shares as of end of previous calendar year

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PROJECTED MUSCCO SELF-SUFFICIENCY (\$)

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Total MUSCCO Expenses including increased staff*	68,770	204,425	147,820	109,875
Total MUSCCO Income				
Case A	3,430	18,075	19,965	22,085
Case B	3,430	19,585	24,370	28,155
Income/Expenses = % financial self-sufficiency				
Case A	5.0%	8.8%	13.5%	20.1%
Case B	5.0%	9.6%	16.5%	25.6%

*Adjusted to reflect August 1983 devaluation of Kwacha

APPENDIX VII

TYPICAL DUTIES OF A MUSCCO MANAGEMENT AND FINANCIAL PLANNING SPECIALIST:

Develop adequate institutional functions and processes, with particular attention to those judged weak or deficient during first phase of assistance, i.e., management accounting, institutional planning, financial management, administrative systems and procedures, internal control and operations management systems.

Assist the Central Finance Officer in identifying and developing strategy planning, management, lending and collection policies, information retrieval, and financial accounting for the Central Finance facility.

Assist the Field Services Supervisor to develop a comprehensive field services program and the training of MUSCCO field staff in its implementation.

Develop training materials, audiovisual and pictorial teaching aids for credit union member education, credit union management, and MUSCCO staff.

Act as MUSCCO's comptroller.

APPENDIX VIII

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APPENDIX IX

MUSCCO - Credit Union Statistics to 30-9-83

<u>Credit Union</u>	<u>Date Registered</u>	<u>Last Fin. (Mo.) Statement</u>	<u>Mbrs. Shares</u>	<u>Loans</u>	<u>Members</u>	<u>C/F Shares</u>
1. Munjili (North)	17-3-73	Sept. 83	65,671	65,946	1,698	50
2. Madisi (Central)	-74	April 83	49,920	48,943	948	2,400
3. Euthini (North)	-74	Aug. 83	100,088	106,004	2,106	95
4. Likuni (Central)	10-75	Sept. 83	10,797	9,059	270	1,103
5. Umodzi (South)	-75	May 83	5,392	5,751	53	-
6. Champhira (North)	-75	Sept. 83	52,278	50,587	1,084	100
7. Malawi Railways (South)	1-76	Aug. 83	8,778	7,863	195	50
8. Mikoko (South)	24-3-76	-	-	-	-	-
9. Miseza (Central)	2-12-76	Sept. 83	1,821	1,597	64	-
10. Kampini (Central)	2-12-76	July 83	1,380	769	92	112
11. Ekwendeni (north)	4-12-76	Sept. 83	9,656	9,437	191	400
12. Nkhamenya (Central)	11-5-77	Aug. 83	48,922	57,825	1,085	1,000
13. Lunyina (North)	14-9-77	Sept. 83	62,279	61,895	792	2,000
14. Mjinge (North)	22-10-77	Sept. 83	25,852	26,290	381	1,100
15. Kafukule (North)		Apr. 83	13,360	13,710	271	-
16. Chilumba (North)	22-6-79	Aug. 83	8,485	9,584	138	100
17. North Lukuru (North)	22-6-79	Sept. 83	14,736	15,468	365	100
18. Chiputu (Central)	22-6-79	Nov. 82	2,137	1,909	60	-
19. Chipini (South)		Aug. 83	937	376	37	-
20. Chimwabvi (South)	3-80	July 83	1,702	859	51	50
21. Thekerani (South)	3-80	Sept. 83	4,404	3,060	63	350
22. Limphasa (North)		Sept. 83	4,859	4,929	98	225

APPENDIX IX - Continued

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<u>Credit Union</u>	<u>Date Registered</u>	<u>Last Fin. (Mo.) Statement</u>	<u>Mbrs. Shares</u>	<u>Loans</u>	<u>Members</u>	<u>C/F Shares</u>
23. Molere (South)	3-80	Aug. 83	1,180	1,059	24	50
24. Chinzama (South)	3-80	May 83	270	167	20	-
25. Malingunde (Central)	15-9-80	Sept. 83	1,350	1,056	90	50
26. Kasungu (Central)	26-1-81	Sept. 83	1,552	1,205	49	50
27. Chipiri (Central)	2-80	Mar. 83	2,317	2,017	70	-
28. Yamba (North)	6-82	Aug. 83	7,451	7,696	103	297
29. Kaning'ina (North)	6-82	Sept. 83	27,405	27,279	275	600
30. Mphala (South)	15-10-82	July 83	573	297	34	-
31. Enukwani (North)	10-82	Sept. 83	1,757	-	51	150
32. Phililamnjuzi (Central)	31-12-82	-	-	-	-	-
33. Nchalo (South)	18-1-83	Aug. 83	1,940	1,638	21	-
34. Chinseu (South)	18-1-83	July 83	335	146	15	-
35. Kasinthula (South)	18-1-83	July 83	257	-	21	-
36. Chigwilizano (South)	23-3-83	Aug. 83	2,976	1,742	110	-
37. Nalipiri (South)	27-4-83	Sept. 83	989	510	34	50
38. Mulanje Teachers (So.)	27-4-83	Aug. 83	218	152	32	-
39. Usisya (North)	23-8-83	-	-	-	-	-
TOTALS			<u>544,024</u>	<u>546,825</u>	<u>10,991</u>	<u>10,482</u>
NOTES: 36 of the 39 registered C.U.'s are functioning, giving average figures as indicated:			15,112	15,190	305	291

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NOTES (Continued)

A true figure to 30-9-83 will be available later, but we know that three major societies have significantly increased their shares:

Madisi:	MK 10,000
Malawi Railways:	1,000
Umodzi:	5,000

Madisi will be building up liquidity for fertilizer. Total movement shares to 30-9-83 estimated at approximately MK 560,000, for an average of 15,556 per society.

Of the 36 operating societies, 15 had submitted September Financial Statements, 10 more had submitted August 83 Financial Statements, and a further 5 were up to date to July, for a total of 30.

11 Credit Unions have been registered and have begun operating since the start of the project. Two more have been registered but are not yet operating.

25 October 1983

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